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Annual Report

of the

Controller

of the

City and County of San Francisco

For the fiscal year ended June 30, 1938

ALFRED J. CLEARY
CHIEF ADMINISTRATIVE OFFICER

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City and County of San Francisco

For the Fiscal Year Ended June 30, 1938

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November 1, 1938.

To His Honor the Mayor, and The Honorable the Board of
Supervisors, City and County of San Francisco.

Gentlemen:

The annual report of the Controller for the fiscal year ended June 30, 1938, is submitted herewith in accordance with the provisions of Section 65 of the Charter.

The accounts of the Controller, in conformity with Section 68 of the Charter, were audited by Lybrand, Ross Bros. and Montgomery by direction of the Board of Supervisors.

In accordance with the provisions of Section 66 of the Charter, audits of other departments were made by the Controller's Audit Staff with the exception of the following audits which were made pursuant to the provisions of Ordinance Number 9.0621 by the firms indicated:

Hetch Hetchy Water Supply and Power Project by F. W. Lafrentz and Company, Bullock, Kellogg and Mitchell

San Francisco Water Department by William Dolge and Company

Municipal Railway by Haskins and Sells

Retirement System by John F. Forbes and Company

San Francisco School Department by Lester Herrick and Herrick

Yours very truly,

Harold J. Boyd

HAROLD J. BOYD,
Controller.

CONTROLLER'S COMMENTS

It was the practice of my predecessor, the late Leonard S. Leavy, to comment on the Controller's Annual Report either in the official letter of transmittal or in a separate commentary of submissions which had a direct bearing on the current problems, policies and program of the fiscal aspect of local government.

It is essential that this be done for several reasons:

First—The closing of the books of a billion dollar corporation and the subsequent auditing of the books and certification of such audits requires about four months, with the result that, in the absence of current comment by the Chief Fiscal Officer, the filing of the official report tends to become a routine formality.

Second—The fiscal year terminates on June Thirtieth but the foundation for the structure then completed is laid in May of the preceding year when the annual budget is adopted. To elaborate slightly on that point; the report transmitted today covers the year which began on July 1, 1937, but the budget for that year represented budget study and, to a greater or less degree, the point of view of the budget makers of March, April and May of 1937—twenty months ago.

Finally, the apparent intent of the Charter is to make it possible for the Controller to formulate and present a long-range fiscal program; little headway can be made in long-range planning of public finances unless there is available for the general public an official submission in clear-cut, non-technical language of the problems which confront public officials.

The Controller's Report of last year did not contain any commentary along these lines for the reason that when the report was rendered I had been in office for only a few months and I felt, therefore, that any submission or recommendation on fiscal matters would be unwise. In the twelve months which have elapsed since that time, by reason of my own earnest efforts and studies plus the co-ordinated, cooperative assistance of all members of the staff of this office, I feel justified in resuming Mr. Leavy's practice of commenting on the fiscal problems of local government, and of making, in certain instances, specific recommendations concerning those problems.

THE CONTROLLER'S OFFICE

The performance of the Controller's general City and County Audit Staff was restricted, primarily due to the following reasons:

1. The lack of sufficient personnel.
2. The length of time required to install and to educate departments to new systems of procedure.
3. The number of special assignments and investigations performed by this division, for example:

   The working out of the financial details of a W.P.A. program.

   The working out of the details to include State participation in W.P.A. sponsorship.

   Attending meetings of State-wide organizations in connection with the problem of unemployment relief.

The scope of the audits of the utilities by the Controller's audit staff was also limited. The division of utility audits was charged with the multiple duties imposed on this office in connection with the various Public Works Administration projects. To this division also fell the task of compiling the applications for grant, concluding the arrangements for financing the various projects, making a detailed analysis of the required contractual relationships, and performing the resulting audits which are regulated by Charter and State law requirements, and also by Federal regulations.

I did make provision for the needed personnel in my budget request for the current fiscal year. It is unfortunate that budget limitations made it impossible for this request to be granted. It is, however, my intent to renew this request in amplified form in the next budget.

The general city and county audit staff and the utility audit staff of this office are continuing the preparation of requisite systems to effect a more accurate recordation and control of the custodianship of value in the departments under their respective jurisdictions.

The Controller and the Purchaser of Supplies have joined in a W.P.A. project, which is now in progress, designed to establish a complete inventory of physical personal properties owned by the City and County of San Francisco.

The product of this project will be the installation of a complete modern accounting system for the recordation of physical personal properties by departments. Procedure is now being devised whereby this record may be currently maintained, in detail, by the respective Departments and by the Purchaser of Supplies, and under account control by the Controller.

RELIEF AND WELFARE PROBLEMS

In addition to the report presented by the certified public accountants, there is submitted, either in graphic or tabulated form, certain other pertinent data bearing on the fiscal structure of the City and County of San Francisco.

Two new tabulations are submitted with this report which I believe are worthy of earnest study and consideration. These tabulations have to do with the Welfare and Relief problems. On page 21 there is submitted a recapitulation of the sources of funds and cost of actual aid (exclusive of administrative expenses) for Old-Age Security, Maintenance of Minors, Widows' Pensions and Needy Blind Aid for the fiscal years 1931-32 to 1937-38 inclusive. Disbursements from all sources for the year ending June 30, 1938 for Old-Age Security, Maintenance of Minors, Widows' Pensions and Needy Blind Aid totalled $2,989,273.93 as against the total for the year ending June 30, 1932 of $1,258,797.36.

On page 22 you will find a similar tabulation of funds provided for Relief of Indigent Sick and Dependent Poor, and for County sponsored S.R.A. and W.P.A. work projects. The total allocated for these purposes for the seven year period is $23,602,770.37 from all sources. It is to be specifically noted, and in order to guard against any misunderstanding it is here repeated, that these totals do not represent a charge against local property owners, since

State funds and Federal funds are involved and, looking back to the darkest years of the depression, it is to be remembered that contributions from municipal employees, through the medium of salary deductions, totalled considerably in excess of two million dollars.

It must be recognized that these expenditures are the reflection of two separate contributing factors:

One is, of course, human need in time of economic disaster. The other is the result of a change in the social consciousness of the people with respect to government's obligation to the people. The problem which confronts every public official and one which has a direct bearing on the fiscal structure of government itself is this:

When the need of the people is the greatest the ability to meet such need, through the medium of tax exactions, is at a low ebb. Government, somehow, works out some sort of a program to meet this situation; economic skies grow a little less dark; certain of those who have provided a portion of the funds demand to be relieved of their burden, but another group—contributor and beneficiary alike—say to those in positions of public responsibility—"It is our desire that specific security be provided, or continued, or increased for certain groups of our citizens. Find a way to carry out our wishes!"

Here is a problem which the Advisory Committee on State Legislation, to which committee, by ordinance of the Board of Supervisors, such problems have been committed, must give its earnest consideration and the Public Welfare Department of local government should, and I feel certain it will, cooperate to the fullest possible extent with that committee.

BOND ISSUES—DEBT SERVICE

Since 1934 most of the proposals submitted to the voters of San Francisco involving the issuance of general obligation bonds have been rejected. At the election of September of this year, despite the fact that the bond issues submitted were all predicated on receiving a practical gift of money from the Federal government, the public looked with general disfavor on the bond issue method of financing public works.

It cannot be denied that, from time to time, there is a need of funds for essentially necessary improvements in excess of what could be regarded as the tax-payers' desire or ability to pay as a current charge in the tax-rate. It is true, for example, that there is a definite need for replacements, betterments, extensions and additions to the sewer system. The need exists. That cannot be denied. Two bond issues to meet these needs have been rejected by the voters within the past year. To attempt now to place in the budget, in a single year, the estimated cost of these increased or improved sewer facilities would not be sound, unless there could be developed a long-range plan for replacements, extensions and additions to the sewer system. Regardless of all else, there can be no question as to the present day point of view of the public with relation to general obligation bonds. The debt service charge in the current budget totals $14,997,817.00; of that total, $7,230,717.00 represents the interest charge on outstanding bonds.

An extensive survey and study has been made by the Controller's office with the idea of finding, if possible, a "way out" of the present quandary insofar as the financing of essential improvements is concerned in view of the disinclination of the people to continue further along the "bond issue road".

As a result of these studies and surveys, inquiries and observations, it is recommended that earnest consideration be given to, and earnest effort made toward, the formulation of a fiscal policy based on the following points:

First—That no further general obligation bond issues be submitted to the voters for their approval.

Second—That a Charter Amendment be submitted to the voters which would authorize the creation of a "Reserve for Public Improvements Fund"; that the amount to be placed annually in this fund shall be the difference between the present requirement for both bond interest and redemption and the reduced requirement for such purposes for each succeeding fiscal year; that expenditures from this fund be confined exclusively to public improvements and that a prior authorization from the voters be obtained before any such expenditure is made.

A schedule has been prepared which is attached hereto indicating conclusively that, under this plan, approximately $85,000,000 could be made available during the next twenty years for public improvements without increasing the 1938-39 charge in the several revenue sources involved.

Specific mention was made in the foregoing paragraphs of the situation with relation to the sewers. This was done entirely for the purpose of illustrating a point. The sewer problem is not the only one which confronts us.

Funds for the ultimate solution of the traffic problem and the transportation problem; a Central Garage; a building to house Public Welfare activities; a Courts Building in order to relieve the congested condition at the City Hall and at the Hall of Justice, etc., etc.; all of these things could be urged as being advisable and, in some cases, as essentially necessary. That there will be greater necessity, as the years go on and the City grows, no one can deny. A way must be found to meet these needs. It is fundamental that, as the demand grows for increased service of local government, the need will similarly grow for the housing of those departments of local government which will meet service demands.

CONCLUSION

The budget for the fiscal year 1937-38 was balanced on a cash basis. No statement beyond that is necessary to emphasize the soundness of the finances of the City and County of San Francisco.

The stability of the municipal fiscal structure can never be questioned as long as the fiscal provisions of the Charter are observed. They are the guarantee against financial chaos, the safeguards against fiscal disorder. I am in hearty accord with those safeguards and to their rigid enforcement I am committed by my oath of office.

CITY AND COUNTY OF SAN FRANCISCO

PRESENT BOND INTEREST AND REDEMPTION REQUIREMENTS, EXCLUSIVE OF UNSOLD BONDS AS AT JUNE 30, 1938

"Showing amount of a reserve for the difference between present peak requirements and actual future requirements, if no more bonds sold."

Fiscal Year	Present General City Bond Interest and Redemption Requirements	Estimated Annual General City and County Reserve	Estimated General City and County Accumulated Reserve	Present Public Service Enterprise Bond Interest and Redemption Requirements	Estimated Annual Public Service Enterprise Reserve	Estimated Public Service Enterprise Accumulated Reserve	Total General City and Public Service Enterprise Bond Interest and Redemption Requirements	Estimated Total Annual Reserve	Total Accumulated Reserve
1938-1939	$5,605,153	$	$	$8,935,612	$	$	$14,540,765	$	$
1939-1940	5,246,630	358,523	358,523	8,772,385	163,227	163,227	14,019,015	521,750	521,750
1940-1941	5,103,241	501,912	860,435	8,595,897	339,715	502,942	13,699,138	841,627	1,363,377
1941-1942	4,960,513	644,640	1,505,075	8,419,600	516,012	1,018,954	13,380,113	1,160,652	2,524,029
1942-1943	4,643,309	961,844	2,466,919	8,243,302	692,310	1,711,264	12,886,611	1,654,154	4,178,183
1943-1944	4,508,981	1,096,172	3,563,091	8,067,005	868,607	2,579,871	12,575,986	1,964,779	6,142,962
1944-1945	3,999,552	1,605,601	5,168,692	7,890,707	1,044,905	3,624,776	11,890,259	2,650,506	8,793,468
1945-1946	3,876,665	1,728,488	6,897,180	7,714,410	1,221,202	4,845,978	11,591,075	2,949,690	11,743,158
1946-1947	3,753,590	1,851,563	8,748,743	7,538,272	1,397,340	6,243,318	11,291,862	3,248,903	14,992,061
1947-1948	3,526,595	2,078,558	10,827,301	7,362,135	1,573,477	7,816,795	10,888,730	3,652,035	18,644,096
1948-1949	2,882,078	2,723,075	13,550,376	7,185,997	1,749,615	9,566,410	10,068,075	4,472,690	23,116,786
1949-1950	2,786,958	2,818,195	16,368,571	6,944,860	1,990,752	11,557,162	9,731,818	4,808,947	27,925,733
1950-1951	2,690,858	2,914,295	19,282,866	6,770,022	2,165,590	13,722,752	9,460,880	5,079,885	33,005,618
1951-1952	2,595,778	3,009,375	22,292,241	6,595,185	2,340,427	16,063,179	9,190,963	5,349,802	38,355,420
1952-1953	1,728,325	3,876,828	26,169,069	6,420,412	2,515,200	18,578,379	8,148,737	6,392,028	44,747,448
1953-1954	1,493,750	4,111,403	30,280,472	6,142,260	2,793,352	21,371,731	7,636,010	6,904,755	51,652,203
1954-1955	1,343,550	4,261,603	34,542,075	5,255,367	3,680,245	25,051,976	6,598,917	7,941,848	59,594,051
1955-1956	1,097,350	4,507,803	39,049,878	5,115,115	3,820,497	28,872,473	6,212,465	8,328,300	67,922,351
1956-1957	931,400	4,673,753	43,723,631	4,974,862	3,960,750	32,833,223	5,906,262	8,634,503	76,556,854
1957-1958	898,700	4,706,453	48,430,084	4,834,610	4,101,002	36,934,225	5,733,310	8,807,455	85,364,309

Foregoing computations exclusive of the following unsold bonds:

1938 Hospitals	$1,600,000
1938 Airport	2,200,000
1938 Schools	2,800,000
	$6,600,000

HAROLD J. BOYD,

Controller.

CITY AND COUNTY OF SAN FRANCISCO (a)

ASSESSMENT ROLLS

Fiscal Years 1919-1920 to 1938-1939

Fiscal Year	Real Estate	Improvements	Tangible Personal Property	Less Veterans' Exemptions	Total Valuations Subject to City and County Rates	Solvent Credits (e)	Stocks and Bonds (d)	Total Non-operative	Property Assessed by State Board of Equalization (c)	Operative Assessment Roll (b)	Total Assessment Roll	Tax Rate per $100 Valuation
1919-20	$297,744,425	$184,756,781	$ 84,311,606	.....	$566,812,812	.....	.....	$ 566,812,812	.....	$227,272,481	$ 794,085,293	$3.08
1920-21	298,146,865	188,853,890	98,013,313	.....	585,014,068	.....	.....	585,014,068	.....	233,059,934	818,074,002	3.18
1921-22	297,625,295	204,402,007	107,884,462	.....	609,911,764	.....	.....	609,911,764	.....	257,702,240	867,614,004	3.47
1922-23	296,998,570	212,462,451	105,854,076	.....	615,315,097	.....	.....	615,315,097	.....	240,946,158	856,261,255	3.47
1923-24	303,170,530	230,371,461	110,620,662	.....	644,162,653	.....	.....	644,162,653	.....	272,514,917	916,677,570	3.47
1924-25	309,976,590	252,747,908	121,375,422	.....	684,099,920	.....	.....	684,099,920	.....	305,218,982	989,318,902	3.47
1925-26	328,345,480	275,483,311	129,944,189	.....	733,772,980	.....	.....	733,772,980	.....	316,802,456	1,050,575,436	4.13
1926-27	338,373,870	296,410,808	121,844,239	.....	756,628,917	.....	.....	756,628,917	.....	225,914,698	982,543,615	3.66
1927-28	340,908,020	317,845,607	125,673,196	.....	784,426,823	.....	.....	784,426,823	.....	240,926,342	1,025,353,165	3.66
1928-29	347,893,591	337,140,412	121,997,487	.....	807,031,490	.....	.....	807,031,490	.....	248,483,381	1,055,514,871	3.80
1929-30	349,457,070	349,915,305	108,086,685	.....	807,459,060	$106,181,728	$282,798,274	1,196,439,062	.....	363,766,920	1,560,205,982	3.94
1930-31	346,787,760	348,341,335	106,640,980	.....	801,770,075	142,755,055	358,499,935	1,303,025,065	.....	405,228,682	1,708,253,747	4.04
1931-32	344,350,099	351,127,948	97,810,358	.....	793,288,405	154,238,456	255,679,223	1,203,206,084	.....	396,358,633	1,599,564,717	4.04
1932-33	341,570,705	353,513,845	95,209,061	.....	790,293,611	116,531,852	142,695,341	1,049,520,804	.....	383,950,344	1,433,471,148	3.96
1933-34	335,496,235	331,475,855	79,975,152	.....	746,947,242	115,555,468	111,851,888	974,354,598	.....	437,973,267	1,412,327,865	3.48
1934-35	333,115,690	329,544,221	76,793,422	.....	739,453,333	111,675,150	177,197,820	1,028,326,303	.....	337,776,080	1,366,102,383	3.863622
1935-36	324,713,626	328,199,331	75,512,159)	.....	.....	108,476,795	172,810,808)	1,009,712,719	.....	.....)	.....	.....
	(c) 17,672,390	22,522,080	47,056,650)	.....	815,676,236	40,443,140	8,946,840)	.....	$136,641,100	.....)	1,146,353,819	3.681917
1936-37	325,377,202	334,889,674	74,053,287)	.....	.....	122,758,168	2,803,423)	853,709,371	.....	.....)	.....	.....
	(c) 17,673,140	22,620,170	47,647,260)	$6,172,383	816,088,350	38,772,180	.....)	.....	126,712,750	.....)	980,422,121	3.784
1937-38	324,562,756	336,291,966	79,036,646)	.....	.....	132,247,351	1,720,317)	867,496,806	.....	.....)	.....	.....
	(c) 17,441,550	41,501,170	31,073,360)	6,362,230	823,545,218	35,886,580	.....)	.....	125,902,660	.....)	993,399,466	3.871
1938-39	322,417,683	341,878,215	78,005,290)	.....	.....	121,647,347	.....)	857,404,611	.....	.....)	.....	.....
	(c) 16,741,620	40,557,060	30,932,540)	6,543,924	823,988,484	26,265,410	.....)	.....	114,496,630	.....)	971,901,241	4.04

(a) Includes Junior College, High School and Elementary School Districts.
(b) Not subject to City and County and School District tax levy.
(c) Property assessed by State Board of Equalization—Subject to City and County and School District tax levy.
(d) Eliminated from roll by 1935 legislature, previously taxed at the rate of 20¢ per $100.
(e) Taxed at the rate of 10¢ per $100.

HAROLD J. BOYD,
Controller.

CITY AND COUNTY OF SAN FRANCISCO

DETAIL OF TAX RATES

Fiscal Years 1929-30 to 1938-39

	1929-30	1930-31	1931-32	1932-33	1933-34	1934-35	1935-36	1936-37	1937-38	1938-39
General Fund—Charter Limit $1.65	1.013739	1.037954	1.084104	1.439628	1.606582	1.523520	1.305168	1.313201	1.297168	1.537071
General Fund—Other Necessary Expenditures Not Limited	.824330	.798185	.850640	.340466		.467638	.424391	.410339	.427155	.441201
Unified School District										.617683
Common School	.791360	.833823	.912432	.846772	.377301	.333527	.525827	.546397	.569500	
Special School Tax	.254500	.234845	.052811	.045045	.133765	.076407	.120937	.116183	.110734	
Recreation	.070000	.070000	.054616	.070000	.066950	.068826	.079584	.069886	.070000	.071666
Park	.100000	.100000	.100000	.100000	.100000	.102964	.109072	.115674	.126173	.116052
Library	.043233	.047721	.043203	.042636	.038537	.049217	.050215	.054191	.054914	.047873
Employees' Retirement	.066108	.065344	.068515	.181972	.188637	.205129	.195405	.211834	.219404	.225722
Bond Interest and Redemption	.614482	.666145	.686330	.805466	.903356	.968989	.793233	.860871	.909315	.883011
de Young Museum	.008498	.012654	.009687	.009071	.008113	.008452	.007553	.008778	.010792	.010155
California Palace of the Legion of Honor	.008498	.012654	.009687	.008380	.008031	.009318	.008584	.009174	.009514	.009232
War Memorial				.008536	.009633	.008785	.008802	.010415	.011501	.011202
Publicity and Advertising	.019381	.029125	.027250	.027883	.028128	.020417	.021566	.024759	.024259	.040000
Tax Judgments	.030603	.030495	.031361	.034145	.010967	.013564	.011405	.012941	.012758	.004675
Firemen's Relief	.054985	.054846	.070060	.....	.....	.....	.....	.....	.....	.....
Blind Pensions Fund	.002064	.008000	.008116	.....	.....	.....	.....	.....	.....	.....
Needy Aged Fund	.008219	.018209	.031188	.....	.....	.....	.....	.....	.....	.....
Golden Gate Bridge & Highway Dist.	.030000	.020000	.....	.....	.....	.....	.....	.....	.....	.....
Special Election Fund	.....	.....	.....	.....	.....	.003193	.....	.....	.....	.....
Interest on Tax Anticipation Notes	.....	.....	.....	.....	.....	.003676	.....	.000928	.000976	.002161
Airport	.....	.....	.....	.....	.....	.....	.020175	.018429	.016837	.022296
Total Levy	3.94	4.04	4.04	3.96	3.48	3.863622	3.681917	3.784	3.871	4.04

HAROLD J. BOYD,
Controller.

CITY AND COUNTY OF SAN FRANCISCO

TAX YIELD

Fiscal Year 1938-1939

	Assessed Valuation	Tax Yield	Tax Rate Per $100
TAXES ON PROPERTY ASSESSED BY CITY AND COUNTY ASSESSOR:			
Real Estate, Improvements and Secured Personal Property:			
Real Estate and Improvements	$664,295,898	.....	.....
Tangible Personal Property	10,208,727	.....	.....
Less Veterans' Exemptions	6,543,924	.....	.....
Net Tangible Value	$667,960,701	$26,985,654.13	$4.04
Solvent Credits	9,826,105	9,827.15	.10
Total	$677,786,806	$26,995,481.28	.....
Unsecured Personal Property (Collected):			
Tangible Personal Property	$ 41,206,568	$ 1,595,123.78	$3.871
Solvent Credits	90,833,461	90,839.35	.10
Total	$132,040,029	$ 1,685,963.13	.....
Unsecured Personal Property (Uncollected):			
Tangible Personal Property	$ 26,589,995	$ 1,029,297.72	$3.871
Solvent Credits	20,987,781	20,989.18	.10
Total	$ 47,577,776	$ 1,050,286.90	.....
Total Assessed by City and County Assessor	$857,404,611	$29,731,731.31	.....
TAXES ON PROPERTY ASSESSED BY STATE BOARD OF EQUALIZATION:			
Real Estate and Improvements	$ 57,298,680	$ 2,314,856.50	$4.04
Tangible Personal Property	30,932,540	1,249,674.63	4.04
Solvent Credits	26,265,410	26,265.41	.10
Total Assessed by State Board of Equalization	$114,496,630	$ 3,590,806.54	.....
Total of Above Assessments	$971,901,241	.....	...
Total Tax Yield, 1938-1939		$33,322,537.85	.....
Reassessments		4,437.70	.....
Total Tax Yield		$33,326,975.55	.....

HAROLD J. BOYD,
Controller.

CITY AND COUNTY OF SAN FRANCISCO

AMOUNTS OF TAX LEVIES AND DELINQUENCIES

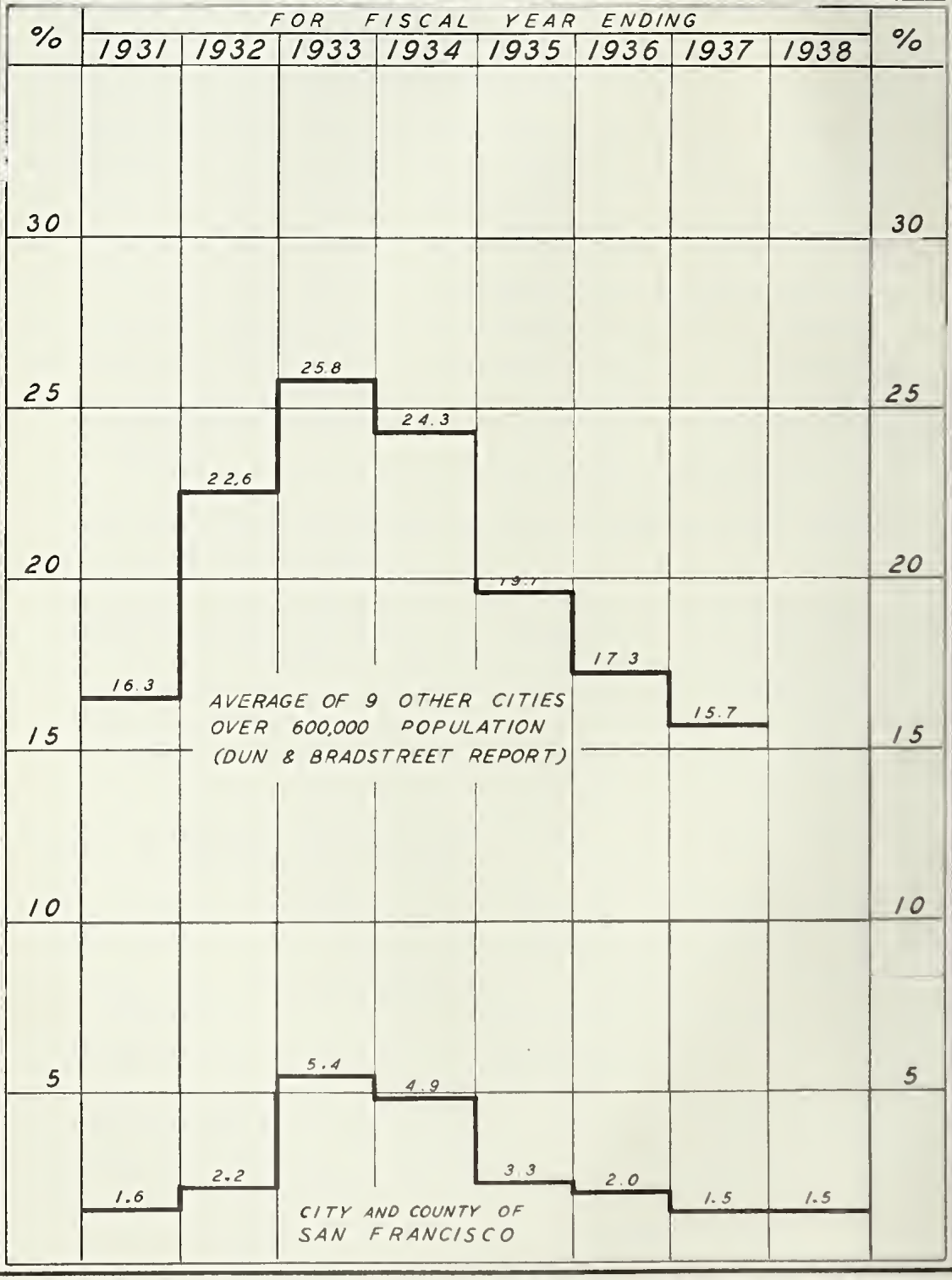
Fiscal Years 1930-31 to 1937-38

Fiscal Year	Amount of Levy	Uncollected at June 30 Amount	%	Uncollected June 30, 1938 Amount	%
1930-1931	$33,177,550.65	$ 544,801	1.64	$ 57,632.84*	.17
1931-1932	32,714,463.72	718,830	2.20	43,027.31	.13
1932-1933	31,752,725.86	1,706,581	5.37	296,294.35	.93
1933-1934	26,583,269.62	1,316,809	4.95	257,909.68	.97
1934-1935	28,808,182.68	958,096	3.33	149,552.61	.51
1935-1936	30,634,662.45	612,784	2.00	151,553.72	.49
1936-1937	30,986,643.33	449,704	1.45	178,525.71	.57
1937-1938	31,994,074.61	483,081	1.50	483,081.17	1.50

HAROLD J. BOYD,
Controller.

*Includes Delinquent Taxes for fiscal year 1930-1931 and those of prior years.

COMPARISON OF PERCENTAGES OF TAX DELINQUENCY
AVERAGE OF 9 OTHER CITIES OVER 600,000 POP.
WITH
CITY AND COUNTY OF SAN FRANCISCO



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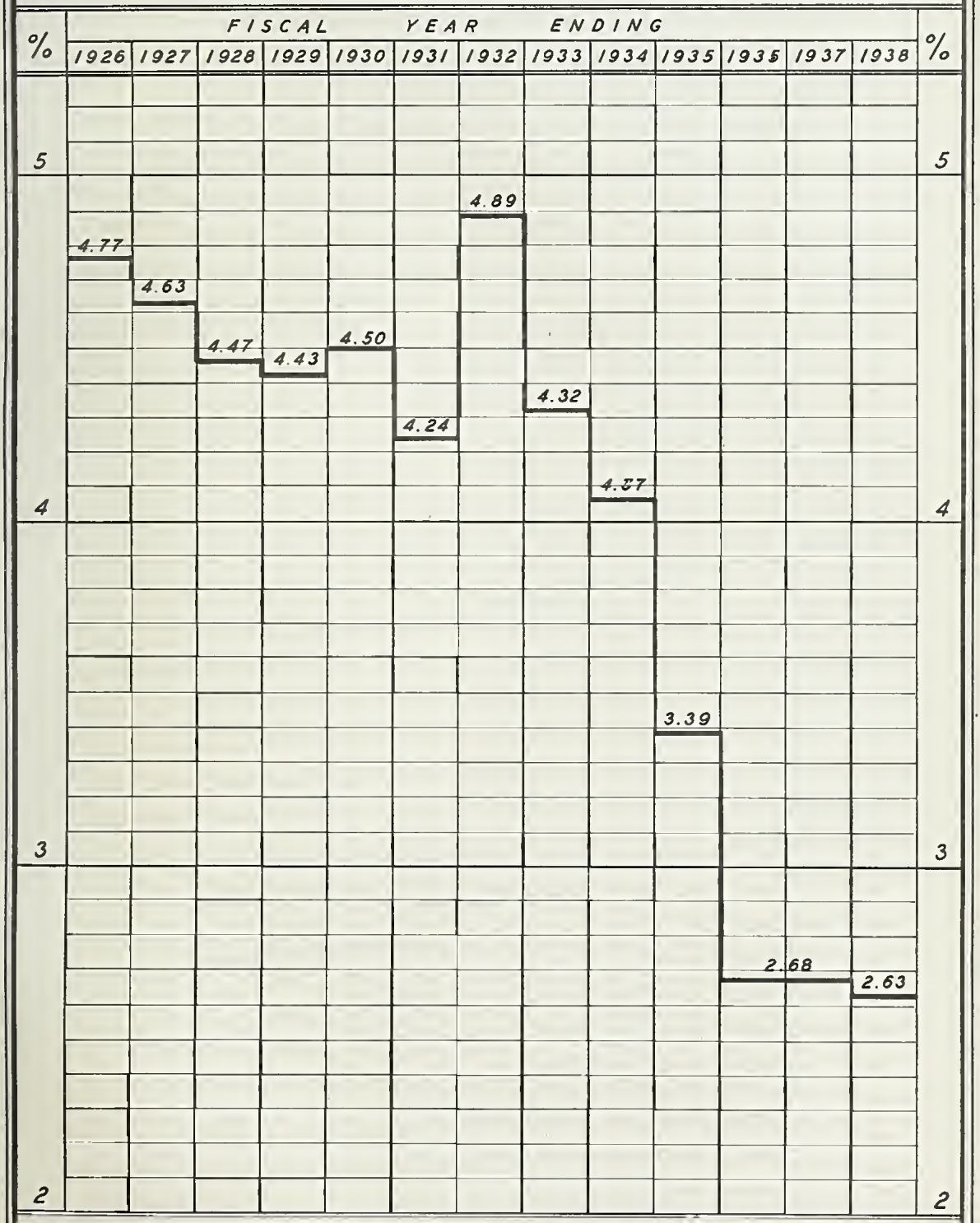
HAROLD J. BOYD, CONTROLLER

CITY AND COUNTY OF SAN FRANCISCO
AVERAGE NET INTEREST COST ON BONDS ISSUED



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HAROLD J BOYD
CONTROLLER

CITY AND COUNTY OF SAN FRANCISCO
BOND INTEREST AND REDEMPTION

WLW

HAROLD J. BOYD, CONTROLLER

CITY AND COUNTY OF SAN FRANCISCO

BONDED DEBT LIMIT

At July 1, 1938

(Section 104 of the Charter)

12% of Assessment Roll of $971,901,241 for 1938-39		$116,628,149
Bonded Debt not Matured—July 1, 1938.....	$157,008,600	
Bonded Debt not Matured—July 1, 1938 (exempt from 12% limit)	107,652,000	49,356,600
		$ 67,271,549
Deduct unsold not exempt from 12% limit.....		3,800,000
Limit of Future Bond Issues.....		$ 63,471,549

HAROLD J. BOYD,
Controller.

OLD AGE SECURITY—MAINTENANCE OF MINORS—WIDOWS' PENSIONS—NEEDY BLIND
SOURCES OF FUNDS, FISCAL YEAR 1931-32 to 1937-38, INCLUSIVE

SOURCES OF FUNDS:	Year Ended June 30, 1932	Year Ended June 30, 1933	Year Ended June 30, 1934	Year Ended June 30, 1935	Year Ended June 30, 1936	Year Ended June 30, 1937	Year Ended June 30, 1938
Old Age Security:							
Federal Aid to State	.....	.....	.....	.....	$ 70,402.22	$ 424,763.87	$ 631,788.30
Federal Aid to County	.....	.....	.....	.....	70,402.21	424,763.85	631,788.30
Total Federal Aid	.....	.....	.....	.....	$ 140,804.43	$ 849,527.72	$1,263,576.60
From State Revenues	$ 163,840.75	$ 173,793.06	$ 191,068.63	$ 217,557.94	348,382.49	536,594.01	812,746.72
From County Taxes	164,216.03	174,035.90	194,785.72	218,020.70	353,005.25	537,504.44	814,652.57
Total from all Sources	$ 328,056.78	$ 347,828.96	$ 385,854.35	$ 435,578.64	$ 842,192.17	$1,923,626.17	$2,890,975.89
Maintenance of Minors:							
Federal Aid to State	.....	.....	.....	.....	.....	$ 19,245.91	$ 19,852.98
Federal Aid to County	.....	.....	.....	.....	.....	15,898.62	16,493.23
Total Federal Aid	.....	.....	.....	.....	.....	$ 35,144.53	$ 36,346.21
From State Revenues	$ 150,135.81	$ 157,804.75	$ 146,112.68	$ 154,635.41	$ 159,475.50	140,088.66	163,522.06
From County Taxes	516,913.57	476,923.99	410,950.58	397,389.08	365,254.77	349,910.30	361,609.23
Total from all Sources	$ 667,049.38	$ 634,728.74	$ 557,063.26	$ 552,024.49	$ 524,730.27	$ 525,143.49	$ 561,477.50
Widows' Pensions:							
Federal Aid to State	.....	.....	.....	.....	.....	$ 33,467.84	$ 35,239.99
Federal Aid to County	.....	.....	.....	.....	.....	29,351.21	29,431.17
Total Federal Aid	.....	.....	.....	.....	.....	$ 62,819.05	$ 64,671.16
From State Revenues	$ 97,755.00	$ 108,745.63	$ 116,065.24	$ 120,020.93	$ 128,497.98	97,837.37	121,669.90
From County Taxes	77,926.38	93,437.77	93,551.95	102,488.03	111,118.95	85,942.76	135,777.98
Total from all Sources	$ 175,681.38	$ 202,183.40	$ 209,617.19	$ 222,508.96	$ 239,616.93	$ 246,599.18	$ 322,119.04
Needy Blind:							
Federal Aid to State	.....	.....	.....	.....	.....	$ 25,884.45	$ 33,612.01
Federal Aid to County	.....	.....	.....	.....	.....	25,884.44	33,612.00
Total Federal Aid	.....	.....	.....	.....	.....	$ 51,768.89	$ 67,224.01
From State Revennes	$ 33,824.92	$ 36,699.79	$ 43,571.92	$ 49,780.48	$ 52,468.60	44,950.03	73,302.64
From County Taxes	34,184.90	37,005.73	44,906.92	49,820.49	54,715.21	46,967.58	74,174.85
Total from all Sources	$ 68,009.82	$ 73,705.52	$ 88,478.84	$ 99,600.97	$ 107,183.81	$ 143,686.50	$ 214,701.50
RECAPITULATION—SOURCES OF FUNDS:							
Federal Aid to State	.....	.....	.....	.....	$ 70,402.22	$ 503,362.07	$ 720,493.28
Federal Aid to County	.....	.....	.....	.....	70,402.21	495,898.12	711,324.70
Total Federal Aid	.....	.....	.....	.....	$ 140,804.43	$ 999,260.19	$1,431,817.98
From State Revenues	$ 445,556.48	$ 477,043.23	$ 496,818.47	$ 541,994.76	688,824.57	819,470.07	1,171,241.32
From County Taxes	793,240.88	781,403.39	744,195.17	767,718.30	884,094.18	1,020,325.08	1,386,214.63
TOTAL FROM ALL SOURCES	$1,238,797.36	$1,258,446.62	$1,241,013.64	$1,309,713.06	$1,713,723.18	$2,839,055.34	$3,989,273.93

Note: This is a statement of actual aid and does not include administrative expense.

CITY AND COUNTY OF SAN FRANCISCO

FUNDS PROVIDED FOR RELIEF OF INDIGENT SICK AND DEPENDENT POOR AND COUNTY SPONSORED S. R. A. AND W. P. A. WORK PROJECTS

SOURCES OF FUNDS:

	Total	1931-32	1932-33	1933-34	1934-35	1935-36	1936-37	1937-38
1. Bonds:								
Parks and Squares 1931	$ 2,500,000.00	$2,500,000.00	.....	.....	.....	.....	.....	.....
Relief Bonds of 1932	6,500,000.00	.....	$4,136,972.22	$2,363,027.78	.....	.....	.....	.....
Total	$ 9,000,000.00	.....	.....	.....	.....	.....	.....	.....
2. Taxes and Miscellaneous	6,147,142.69	649,099.00	623,854.02	729.87	$1,013,134.96	$ 983,013.21	$1,262,385.17	$1,614,926.46
3. Employees' Salary Deductions	714,075.63	.....	.....	.....	714,075.63	.....	.....	.....
4. Employees' Voluntary Contributions	1,516,056.27	321,935.05	1,194,121.22	.....	.....	.....	.....	.....
5. State Loans	2,017,261.00	.....	.....	1,466,552.00	550,709.00	.....	.....	.....
6. Federal Grants	4,267,834.78	.....	967,000.00	2,405,848.15	681,665.61	213,321.02	.....	.....
TOTAL FUNDS	$23,662,370.37	$3,471,034.05	$6,921,947.46	$6,236,157.80	$2,959,585.20	$1,196,334.23	$1,262,385.17	$1,614,926.46

ALLOCATIONS OF FUNDS:

Indigent Sick & Dependent Poor	$21,858,830.47	$3,471,034.05	$6,921,947.46	$6,236,157.80	$2,457,507.78	$ 801,498.22	$ 734,047.13	$1,236,638.03
S. R. A. & W. P. A. Work Projects	1,803,539.90	.....	.....	.....	502,077.42	394,836.01	528,338.04	378,288.43
TOTAL ALLOCATIONS	$23,662,370.37	$3,471,034.05	$6,921,947.46	$6,236,157.80	$2,959,585.20	$1,196,334.23	$1,262,385.17	$1,614,926.46

Report Upon Examination of Accounts

Office of the Controller

For the Fiscal Year Ended June 30, 1938

(Wherever italic figures appear in this Report they indicate red figures.)

LYBRAND, ROSS BROS. & MONTGOMERY
ACCOUNTANTS AND AUDITORS
2 Pine Street, San Francisco

October 5, 1938.

To the Honorable Board of Supervisors, City and County of San Francisco, San Francisco, California.

Dear Sirs:

In accordance with your resolution No. 4085, adopted July 11, 1938, we have examined the accounts of the office of the controller of the

CITY AND COUNTY OF SAN FRANCISCO

for the year ended June 30, 1938, as hereinafter outlined.

Annexed we submit statements which, subject to the comments contained in the following paragraphs of this report, in our opinion, set forth the financial condition of the municipality as at June 30, 1938, and its revenues and expenses for the year then ended. These statements include separate balance sheets and income and surplus accounts of the municipally owned public service enterprises, which reflect the figures shown by the audit reports covering those units.

Scope of Examination: Section 64 of the charter provides that the controller shall devise adequate systems of internal check. Our review of the procedure in effect in the various divisions of the controller's office, in connection with our investigation of the internal audit and recordation of revenues, expenditures, appropriations, and encumbrances, indicates that the internal check is adequate.

Section 66 of the charter provides that the controller shall audit the accounts of all boards, officers, and employees of the city and county charged in any manner with the custody, collection, or disbursement of funds. Our work in connection with such accounts as were audited by the controller was, therefore, restricted to a review of the reports and working papers prepared by the controller's audit staff.

Our examination of the property accounts was limited to a review of the recorded additions and retirements for the year.

We made a general review and test check of the recorded revenues and expenditures for the year. We also compared them with those of the preceding year and investigated and obtained satisfactory explanations for all substantial fluctuations. However, under the terms of our engagement we did not examine all transactions for the year.

We also made an examination of the special and trust funds balance sheet as at June 30, 1938.

Revenues and Expenditures

A condensed summary of the general city and county revenues and expenditures for the year ended June 30, 1938, comparative with those of the preceding year, follows:

	Year Ended June 30 1938	1937
Revenues:		
Property taxes and penalties	$32,076,925.63	$30,984,977.59
Other taxes and licenses	763,362.59	781,941.51
Received through State of California	10,679,979.21	9,490,563.60
Departmental revenues	1,683,044.24	1,645,310.21
Interest earned	37,459.97	81,265.43
Rents	18,743.31	23,526.32
Court fines	186,124.83	156,579.25
Contributions from Water Department	1,734,330.10	1,407,984.00
Federal grants	104,639.37	353,922.89
Federal grant cash and bond premium transferred from capital funds for bond interest and redemption and purchase of lands	634,985.54	490,901.63
Miscellaneous, net	.....	77,110.04
	$47,919,594.79	$45,494,082.47
Expenditures:		
Departmental expenses	$34,604,364.41	$31,951,687.83
Bond redemption	3,125,100.00	3,150,100.00
Bond interest	2,242,890.46	2,389,524.78
Other interest	106,345.79	84,125.61
Pensions and compensation insurance	2,292,162.26	2,214,147.64
Judgments and losses	79,354.38	155,331.10
Publicity and advertising	190,782.07	199,224.11
Contributions to Hetch Hetchy Project	2,574,232.59	1,687,787.71
Contributions to Airport	322,188.01	203,148.17
Contributions to Municipal Railway	6,300.06	.....
Capital additions from revenues	1,920,928.31	2,945,921.22
Miscellaneous, net	28,747.26	.....
	$47,493,395.60	$44,980,998.17
Net revenues	$ 426,199.19	$ 513,084.30

The foregoing statement does not include the operations of the municipally owned public service enterprises, which are stated separately on page 47 of this report.

Section 64 of the charter provides that these public service enterprises shall keep their accounts in the same manner as privately owned and operated utilities. Since the general city and county records are maintained on a municipal basis, separate accounts are kept for the public service enterprises.

The foregoing summary shows certain fluctuations of revenues and expenditures, in regard to which we submit the following comments:

Property Taxes: These showed an increase of $1,091,948.04, as follows:

1937-38	$32,076,925.63
1936-37	30,984,977.59
Increase	$ 1,091,948.04

Comparative details of the tax rates on tangible property follow:

Municipal purposes:	1937-38	1936-37
General fund (limit $1.65 as per Section 78 of the charter)	$1.083931	$1.095449
General fund, for expenses not subject to the limitations of Section 78 of the charter	.427155	.410339
Total general fund	$1.511086	$1.505788
Bond interest and redemption	.909315	.860871
Employees' Retirement System	.213227	.206928
Park	.126173	.115674
Recreation	.070000	.069886
Relief of indigent sick and dependent poor	.183923	.112081
Library	.054914	.054191
Publicity and advertising	.024259	.024759
Tax judgments	.012758	.012941
Emergency Reserve Fund	.013131	.038813
Redemption and interest on Relief Loan from State of California	.016171	.015946
Airport fund	.016837	.018429
State Emergency Relief Administration	....	.050900
Other municipal purposes	.038972	.034213
Total for municipal purposes	$3.190766	$3.121420
School taxes:		
District school taxes	$ .679831	$ .659267
Junior college	.000403	.003313
Total school taxes	$ .680234	$ .662580
Total tax rates	$3.871000	$3.784000

The tax rates on tangible property are based on budgeted requirements. The rate on solvent credits is fixed by state law at $1.00 per $1,000 of assessed valuation.

A summary of the assessment rolls follows:

	1937-38	1936-37
Property assessed by City and County Assessor:		
Tangible property:		
Real estate and improvements	$660,834,149	$660,151,796
Personal property—secured	12,683,778	12,623,772
	$673,517,927	$672,775,568
Less, veterans' exemptions	6,362,970	6,172,383
	$667,154,957	$666,603,185
Personal property—unsecured	66,008,343	61,140,225
	$733,163,300	$727,743,410
Intangible property:		
Solvent credits	$132,169,286	$122,620,479
Property assessed by State Board of Equalization:		
Tangible property:		
Real estate and improvements	$ 58,942,720	$ 40,293,310
Personal property	31,073,360	47,646,560
	$ 90,016,080	$ 87,939,870
Intangible property:		
Solvent credits	$ 35,886,580	$ 38,772,180
Total property subject to city and county taxes	$991,235,246	$977,075,939

The properties assessed by the State Board of Equalization are described as follows:

"All pipe lines, flumes, canals, ditches, and aqueducts not entirely within the limits of any one county, and all property, other than franchises, owned or used by:

(1) Railroad companies including street railways, herein defined to include interurban electric railways, whether operating in one or more counties

(2) Sleeping car, dining car, drawing-room car, and palace car companies, refrigerator, oil, stock, fruit, and other car-loaning and other car companies operating upon the railroads in the state

(3) Companies doing express business on any railroad, steamboat, vessel, or stage line in this state

(4) Telegraph and telephone companies

(5) Companies engaged in the transmission or sale of gas or electricity."

Other Taxes and Licenses: A comparative summary follows:

	Year Ended June 30 1938	1937
Business licenses, etc.:		
Business licenses and inspection fees	$278,681.77	$282,219.42
Vehicle licenses (municipal)	26,245.00	32,071.50
Miscellaneous	1,900.00	3,600.00
Building permits, etc.:		
Building permits	76,872.40	90,661.80
Marriage licenses	13,390.00	14,064.00
Miscellaneous	42,415.45	44,779.80
Franchise taxes:		
The Pacific Telephone and Telegraph Company	271,857.97	262,000.00
Market Street Railway Company	48,000.00	48,253.29
California Street Cable Railroad Company	4,000.00	4,291.70
	$763,362.59	$781,941.51

Revenues Received Through the State of California: A comparative summary follows:

	Year Ended June 30 1938	1937
Elementary schools	$ 2,504,015.25	$2,558,336.99
High schools	2,132,802.14	2,068,248.47
Federal aid to high schools	16,534.32	17,024.18
County roads	1,254,206.39	1,196,319.09
Special gas tax street improvement	577,393.60	541,548.62
Vehicle licenses	529,657.84	532,593.77
*Orphans and half orphans	209,727.45	181,945.12
*Widows' pensions	193,215.09	167,530.74
*Needy aged	2,110,338.30	1,404,969.11
*Needy blind	135,265.14	94,749.64
Tubercular patients	90,355.33	84,488.93
Fire boats	83,361.35	84,260.84
Beverage licenses	843,107.01	558,548.10
	$10,679,979.21	$9,490,563.60

Needy aged grants in aid increased $705,369.19, as follows:

1937-38	$2,110,338.30
1936-37	1,404,969.11
	$ 705,369.19

These represent state and federal grants in aid to partially reimburse the city and county for the cost of old age pensions. These costs, as shown on page 45 of this report, were as follows:

1937-38	$2,897,194.73
1936-37	1,924,094.85
Increase	$ 973,099.88

*Amounts include federal aid received through the State of California.

The increase in costs is due principally to an increase in the number of cases occasioned by the following changes in the state law effective September 1, 1937:

1. Removal of the clause which provided that a lien be placed against real property as security for reimbursement of the amount of aid paid.
2. Amendment of the provision prohibiting aid to those having relatives able to support them, by substitution of a provision that aid may be given to those who are not receiving adequate support.

The following tabulation indicates the amounts borne by the various governments for a pension of $35.00 per month:

City and County of San Francisco	$10.00
State of California	10.00
Federal Government	15.00
	$35.00

The Federal Government also pays five per cent of its share of $15.00 for administration. This is divided equally between the State and the City and County of San Francisco.

Beverage license revenues showed an increase of $284,558.91 as follows:

1937-38 (18 months)	$843,107.01
1936-37 (12 months)	558,548.10
Increase	$284,558.91

The amount of $558,548.10 for 1936-37 represented remittances received from the State covering the calendar year 1936. The 1937 Alcoholic Beverage Control Act provided that payments be made to cities and counties semiannually. The revenue for 1937-38 therefore represents remittances of $461,671.17 for the calendar year 1937 and $381,435.84 receivable from the State at June 30, 1938 covering the six months then ended.

Departmental Expenses: These expenses increased $2,652,676.58, as follows:

	Year Ended June 30 1938	1937
General government	$ 3,019,105.86	$ 3,040,818.27
Protection of life and property	7,268,345.91	7,219,819.90
Education	9,687,961.75	9,450,271.30
Recreation	2,263,946.40	1,996,219.29
Charities, hospitals, and corrections	9,270,225.45	7,465,479.11
Conservation of health	720,669.99	638,520.38
Sanitation	949,076.64	890,184.19
Highways	1,230,210.82	1,054,224.08
Other	194,821.59	196,151.31
	$34,604,364.41	$31,951,687.83
	31,951,687.83	
Increase	$ 2,652,676.58	

A detailed comparison of these expenses is shown on pages 44 and 45 of this report.

Proprietary Balance Sheet Comments

The following comments refer to various items which appear on the proprietary balance sheet, and further indicate the scope of our examination:

Properties: A summary of the property accounts is shown on pages 48 and 49 of this report.

We examined the vouchers for the major additions to the general city and county properties during the year and found that they represented proper capital charges.

A physical inventory of equipment is now in progress. When this is completed the equipment account will be corrected in accordance therewith.

Cash: Cash on deposit with the treasurer as at June 30, 1938, amounting to $21,432,465.27, and the imprest funds of the general city and county were verified by the controller. Our review of the working papers indicated that such verification had been properly performed, also that the treasurer had complied with Section 82 of the charter, which regulates the receipt, custody, and deposit of public funds.

Taxes Receivable: A summary of taxes receivable follows:

Secured taxes:		
1937-38	$ 420,302.55	
1936-37	152,953.97	
1935-36	120,516.10	
1934-35	117,588.03	
Prior years	198,793.92	
		$1,010,154.57
Interest on secured taxes, 1936-37 and prior	81,882.33	
Penalties on delinquent secured taxes, 1937-38	16,251.50	
		$1,108,288.40
Less, installment collections	84,044.62	
		$1,024,243.78

The following taxes and penalties not included above are fully covered by a reserve for uncollectible taxes:

Unsecured taxes, including penalties thereon	$717,350.09
Penalties on delinquent secured taxes, 1936-37 and prior	17,085.00
	$734,435.09

Section 3817 of the Political Code of the State of California provided for the cancellation of penalties on delinquent taxes for 1936-37 and prior if redemption had been effected on or before August 20, 1938. This does not apply to penalties on delinquent taxes for the fiscal year 1937-38.

Revenues Accrued and Accounts Receivable: These assets consist of the following:

State of California		$1,220,244.04
Franchise revenues		282,000.00
Accrued interest:		
On investment bonds	$350,896.47	
On bank deposits	21,521.67	
		372,418.14
Federal grants		7,619.57
Miscellaneous		34,285.20
Total, general city and county		$1,916,566.95
Accounts receivable, public service enterprises		983,115.19
		$2,899,682.14

Amounts due from the State of California are herewith detailed:

County roads	$ 467,799.64
Orphans and half orphans	82,378.46
Motor vehicle tax	31,173.09
Special gas tax street improvement	197,919.62
Fire boats	14,537.39
Tubercular patients	45,000.00
Beverage licenses	381,435.84
	$1,220,244.04

These are in agreement with copies of claims on file against the state, estimates of amounts for which claims had not been submitted, and/or subsequent collections.

Accrued franchise revenues are detailed as follows:

Pacific Telephone and Telegraph Company, for the nine months ended June 30, 1938	$204,000.00
Market Street Railway Company, for the eighteen months ended June 30, 1938	72,000.00
California Street Cable Railroad Company, for the eighteen months ended June 30, 1938	6,000.00
	$282,000.00

Our report for the year ended June 30, 1937 referred to the franchise tax liability of San Francisco Electric Protective Company, which operates a system of electric signal boxes for police and fire protection, and which appeared to be affiliated with American District Telegraph Company. We understand that the original franchise expired in 1928. On August 1, 1938 a new franchise was granted, in consideration of which the grantee agreed to pay two per cent of its annual gross income from June 1, 1935. The first payment under the new franchise, amounting to $13,925.73, covering the period from June 1, 1935 to August 1, 1938, was recorded as revenue for the fiscal year 1938-39, since the matter had not been settled as at June 30, 1938.

Investment Securities: A summary follows:

	Par Values	Book Values
Employees' Retirement System (bonds):		
United States Government	$ 400,000.00	$ 428,445.78
State of California	3,378,000.00	3,472,979.63
City and County of San Francisco	3,589,500.00	3,761,281.10
East Bay Municipal Utility District	1,668,000.00	1,839,404.82
City of New York	2,599,000.00	2,919,657.56
Los Angeles Flood Control District	1,203,000.00	1,447,050.01
Golden Gate Bridge and Highway District	500,000.00	564,788.77
City of Los Angeles	1,536,000.00	1,849,289.70
Marin Municipal Water District	374,000.00	393,357.38
City of Richmond	414,000.00	443,247.13
City of Sacramento	417,500.00	454,195.43
City of Stockton	378,900.00	411,843.65
Other California cities, counties, and school districts	2,112,600.00	2,205,330.29
Railroads	653,100.00	646,079.11
Public utilities	777,500.00	798,941.92
	$20,001,100.00	$21,635,892.28
Bequest and trust funds (stocks and bonds)	130,426.50	185,722.97
	$20,131,526.50	$21,821,615.25

These securities are kept in the joint custody of the controller and the treasurer. The controller has verified the existence of the securities and the collection of interest and dividends. Since the securities were purchased for investment, we have not attempted to determine their market values. None of the bonds were in default as to principal or interest as at June 30, 1938.

In accordance with Section 159 of the charter, the Retirement Board has exclusive control of the administration and investment of the funds of the Retirement System.

Deferred Charges: A summary follows:

General city and county:		
Relief expenditures financed by long-term loans		$ 7,031,427.40
Commitments (contra)		6,107,204.18
Materials and supplies		351,054.61
Other		24,248.86
		$13,513,935.05
Public service enterprises		2,210,981.68
		$15,724,916.73

Relief expenditures, $7,031,427.40, resulted from an outlay for unemployment relief, which was financed as follows:

Sale of relief bonds	$6,500,000.00	
Less, redemptions	1,084,000.00	
		$5,416,000.00
Loans from State of California	$2,017,261.00	
Less, payments thereon	401,833.60	
		1,615,427.40
		$7,031,427.40

The relief bonds mature at the rate of $542,000 per year. The balances of the loans from the State of California, represented by three notes maturing in equal annual installments, are as follows:

Balance Due	Annual Installment	Commencing
$ 950,000.00	$100,000.00	January 1, 1938
385,496.20	55,070.90	July 1, 1935
279,931.20	46,655.20	July 1, 1934
$1,615,427.40		

Commitments are herewith detailed:	Original Amount	Unpaid Balance
Employees' Retirement System	.....	$4,291,715.95
Land purchases:		
Fleishhacker playground	$ 363,986.00	307,769.77
Lafayette Park	200,000.00	120,000.00
Sigmund Stern Grove	50,000.00	35,000.00
Other commitments:		
Voting machine purchase	1,505,300.00	91,986.66
Merry-go-round purchase	31,835.00	10,393.85
Joint Highway District No. 9	368,354.00	229,204.25
Joint Highway District No. 10	818,000.00	770,400.00
Judgments	.....	250,733.70
		$6,107,204.18

These commitments represent payments which will be made from the revenues of future years, at which time these deferred charges will be transferred to property accounts, expenditures, etc.

Materials and supplies, $351,054.61, are shown at their book values.

Bonded Indebtedness: We verified the changes in bonded indebtedness for the year ended June 30, 1938, as herewith summarized:

	Total	Public Service Enterprises	General City and County
Outstanding June 30, 1937	$165,499,400	$113,944,600	$51,554,800
Sold during year	2,007,000	1,460,000	547,000
	$167,506,400	$115,404,600	$52,101,800
Redeemed during year	6,361,200	3,125,100	3,236,100
Outstanding June 30, 1938	$161,145,200	$112,279,500	$48,865,700

Bonds authorized but not issued as at June 30, 1938 amounted to $3,800,000, as follows:

	Authorized	Issued	Unissued
General city and county:			
Hospital	$1,600,000		$1,600,000
Public service enterprises:			
Airport	2,850,000	$650,000	2,200,000
			$3,800,000

Section 104 of the charter provides that the bonded debt, exclusive of:

(a) Debt incurred for the purpose of financing public improvements, the cost of which is to be assessed against private property benefited thereby,

(b) Debt incurred for water supply, storage, or distribution purposes, and

(c) Debt heretofore incurred in aid of the Panama-Pacific International Exposition,

shall not exceed 12 per cent of the assessed value of all real and personal property in the city and county, subject to city and county taxes.

The bonded debt subject to this 12 per cent limit as at June 30, 1938, determined in accordance with the provisions of the charter, was as follows:

Bonded debt June 30, 1938		$161,145,200
Less, bonded debt to which the 12 per cent limit does not apply:		
Hetch Hetchy	$68,073,000	
Water Department	42,004,000	
Panama-Pacific Exposition	243,000	
		110,320,000
Total bonded debt subject to 12 per cent limit		$ 50,825,200

The assessment roll of March 1938 for the year 1938-39 shows assessed valuations of $971,901,241, as follows:

Real estate and improvements, and secured tangible personal property, taxable at $4.04 per $100 (1938-39 rate)	$756,191,921
Unsecured tangible personal property taxable at $3.871 per $100 (1937-38 rate)	67,796,563
Total tangible property	$823,988,484
Intangible property included in the computation in accordance with an opinion by the City Attorney:	
Solvent credits, taxable at the rate of 10 cents per $100	147,912,757
Total property subject to city and county taxes	$971,901,241
12 per cent limitation	$116,628,148

The bonded debt of $50,825,200 subject to the 12 per cent clause is therefore well within the limits of the charter provision as interpreted by the City Attorney.

Accounts and Notes Payable: These liabilities are herewith summarized:

General city and county:		
Contracts, purchase orders, etc.		$ 2,097,234.92
Relief loans from State of California		1,615,427.40
Accrued interest thereon		205,735.49
Warrants outstanding		1,060,765.31
Commitments (contra)		6,107,204.18
		$11,086,367.30
Public service enterprises		1,639,529.12
		$12,725,896.42

Contracts, purchase orders, etc., were verified by reference to the supporting records and by a review of the procedure in connection with the controller's audit, approval, and recordation of these liabilities.

Relief loans from the State of California consist of three loans, as follows:

Date of Loan	Interest Rate	Original Amount	Balance Due	Payable in Annual Installments of
Nov. 16, 1933	4¼%	$1,000,000	$950,000.00	$100,000.00 commencing Jan. 1, 1938
Aug. 11, 1934	3¾	550,709	385,496.20	55,070.90 commencing July 1, 1935
Apr. 26, 1934	4½	466,552	279,931.20	46,655.20 commencing July 1, 1934
			$1,615,427.40	

These loans were made under the provisions of the Unemployment Relief Bond Act of 1933 and were authorized by the Board of Supervisors. Annual payments on the $1,000,000 loan are to be made by deduction from state gas tax apportionments.

We verified the general city and county outstanding warrants by reference to the warrant registers, which were in agreement with the controlling accounts in the general ledger.

Commitments were verified by reference to the supporting documents.

A contingent liability exists by reason of San Francisco's participation in the Golden Gate Bridge and Highway District. We understand that the bonds of that district, of which an issue of $35,000,000 has been authorized, are general obligations of the district and are payable to the extent that revenues of the district may be insufficient to meet operating expenses and interest and redemption charges, from ad valorem taxes which may be levied, without limitation as to the rate or amount, upon all taxable property within the district. The Golden Gate Bridge and Highway District includes the City and County of San Francisco, Marin, Sonoma, and Del Norte Counties and portions of Napa and Mendocino Counties.

The following contingent liabilities exist by reason of pending lawsuits against the City and County of San Francisco:

Lawsuits of school teachers for salary adjustments of prior years.
Lawsuits for return of licenses imposed for revenues.
Riparian lawsuits in connection with the Hetch Hetchy Water Supply.
Lawsuit by The Pacific Telephone and Telegraph Company contending that its properties were overassessed by the State Board of Equalization.

The City Attorney has stated to us that it is impossible at this time to determine the amounts involved in these actions.

Funding Balance Sheet Comments

A summary of the funding balance sheets, with statements showing in detail the status of the various funds, will be found on pages 54 to 59 of this report.

A reconciliation of the funding balance sheet with the proprietary balance sheet follows:

Funding balance sheet:			
Special and trust funds		$ 23,286,409.03	
Surplus		14,832,252.02	
			$ 38,118,661.05
Add, proprietary assets not shown in funding balance sheet since they do not represent funding resources:			
Properties, net		372,630,607.16	
Deferred charges:			
Per proprietary balance sheet	$15,724,916.73		
Per funding balance sheet	5,000.00		
Difference		15,719,916.73	388,350,523.89
			$426,469,184.94
Deduct, proprietary liabilities not shown in funding balance sheet for the reason that they represent charges to be made against revenues of future years:			
Bonds outstanding, unmatured		$157,008,600.00	
Bonds and interest due July 1, 1938 included in budget for the year 1938-39		536,500.00	
Bond interest, unmatured		424,729.34	
Relief loans		1,615,427.40	
Accrued interest on relief loans		205,735.49	
Commitments		6,107,204.18	
Land purchase agreement		210,000.00	
Deferred credits:			
Per proprietary balance sheet	$1,183,510.46		
Per funding balance sheet	132,028.02		
Difference		1,051,482.44	167,159,678.85
			$259,309,506.09
Deduct, funding assets not shown in proprietary balance sheet:			
Federal grants (unearned portion)		26,086.38	
Unsold bonds, par value		3,800,000.00	3,826,086.38
Proprietary balance sheet:			
Special and trust funds		23,293,380.23	
Surplus		232,190,039.48	
			$255,483,419.71

The following funds showed deficits as at June 30, 1938:

Auditorium	$167,930.42
Firemen's Relief and Pension	171,255.71
Police Relief and Pension	103,235.58
	$442,421.71

These deficits were created prior to the adoption of the present charter, which became effective January 8, 1932.

The cash reserve fund, which was created in accordance with Sections 80 and 81 of the charter, is to be used for the making of temporary loans exclusively for the following purposes:

1. Payment in any fiscal year of legally budgeted expenditures for such year in anticipation of the collection, after the close of such fiscal year, of legally collectible taxes and other revenues as set forth in the budget and the appropriation ordinance for such fiscal year.

2. Payment of that portion of the authorized expenses of the city and county for any fiscal year which, as certified by the controller, becomes due and payable and must be paid prior to the receipt of tax payments for such fiscal year.

The cash reserve fund as at June 30, 1938 had a balance of $3,096,329.29 as follows:

Cash	$ 121,018.79
Temporary loans to other funds	2,445,517.69
Interfund accounts receivable which will be liquidated through collections of taxes and other revenues	529,792.81
	$3,096,329.29

We reviewed the appropriation ledgers and determined that the appropriations recorded therein were in accordance with the annual appropriation ordinance and subsequent appropriations.

Surety Bonds: We inspected the surety bonds covering the various officers of the city and county and determined that the charter provisions had been complied with.

All surety bonds on file have been approved by the controller in accordance with Bill No. 724, Ordinance No. 4.042, approved November 6, 1935. The basis used by the controller for this purpose is the list and limits of acceptable sureties on federal bonds published by the U. S. Treasury Department.

We wish to express our appreciation to the controller and his staff for their cooperation and for the many courtesies extended to us during the course of our examination.

Very truly yours,
LYBRAND, ROSS BROS. & MONTGOMERY.

CITY AND COUNTY OF SAN FRANCISCO

PROPRIETARY BALANCE SHEET

June 30, 1938

ASSETS:	Grand Total	Public Service Enterprises	GENERAL CITY AND COUNTY Total	Current Accounts	Capital Accounts	Special and Trust Accounts
Fixed capital:						
Properties, details annexed	$400,207,050.09	$188,659,817.22	$211,547,232.87	.....	$211,547,232.87	.....
Less, provision for depreciation	27,576,442.93	27,576,442.93	.....	.....	.....	.....
	$372,630,607.16	$161,083,374.29	$211,547,232.87	.....	$211,547,232.87	.....
Cash:						
On deposit with treasurer	$ 21,432,465.27	$ 9,138,929.52	$ 12,293,535.75	$ 9,446,061.34	$ 1,391,611.68	$ 1,455,862.73
Other cash	69,258.88	42,658.88	26,600.00	26,600.00	.....	.....
	$ 21,501,724.15	$ 9,181,588.40	$ 12,320,135.75	$ 9,472,661.34	$ 1,391,611.68	$ 1,455,862.73
Accounts receivable:						
Taxes receivable, less allowance for uncollectible taxes	$ 1,024,243.78	.....	$ 1,024,243.78	$ 1,024,243.78	.....	.....
Revenues accrued and other accounts receivable	2,899,682.14	$ 983,115.19	1,916,566.95	1,550,164.79	$ 7,619.57	$ 358,782.59
	$ 3,923,925.92	$ 983,115.19	$ 2,940,810.73	$ 2,574,408.57	$ 7,619.57	$ 358,782.59
Investment securities	$ 21,821,615.25	.....	$ 21,821,615.25	.....	.....	$ 21,821,615.25
Interfund accounts (contra)	$ 878,892.27	$ 118,111.33	$ 760,780.94	$ 655,466.12	.....	$ 105,314.82
Deferred charges:						
Relief expenditures financed by long-term loans	$ 7,031,427.40	.....	$ 7,031,427.40	$ 7,031,427.40	.....	.....
Commitments (contra)	6,107,204.18	.....	6,107,204.18	6,107,204.18	.....	.....
Materials and supplies	840,734.40	$ 489,679.79	351,054.61	351,054.61	.....	.....
Other deferred charges	1,745,550.75	1,721,301.89	24,248.86	18,228.14	.....	$ 6,020.72
	$ 15,724,916.73	$ 2,210,981.68	$ 13,513,935.05	$ 13,507,914.33	.....	$ 6,020.72
	$436,481,681.48	$173,577,170.89	$262,904,510.59	$ 26,210,450.36	$212,946,464.12	$ 23,747,596.11

LIABILITIES:	Grand Total	Public Service Enterprises	GENERAL CITY AND COUNTY Total	Current Accounts	Capital Accounts	Special and Trust Accounts
Bonded debt, details annexed:						
Due July 1, 1938	$ 3,500,000.00	$ 2,600,000.00	$ 900,000.00	$ 900,000.00	.....	.....
Due subsequently	157,008,600.00	109,654,000.00	47,354,600.00	5,416,000.00	$ 41,938,600.00	.....
Matured, unpaid	636,600.00	25,500.00	611,100.00	611,100.00	.....	.....
	$161,145,200.00	$112,279,500.00	$ 48,865,700.00	$ 6,927,100.00	$ 41,938,600.00	.....
Bond interest:						
Due July 1, 1938	$ 2,536,362.50	$ 2,090,250.00	$ 446,112.50	$ 446,112.50	.....	.....
Accrued, not due	424,729.34	74,326.03	350,403.31	350,403.31	.....	.....
Matured, unpaid	606,663.25	312,567.50	294,095.75	294,095.75	.....	.....
	$ 3,567,755.09	$ 2,477,143.53	$ 1,090,611.56	$ 1,090,611.56	.....	.....
Accounts and notes payable:						
Contracts, purchase orders, etc.	$ 3,307,206.40	$ 1,209,971.48	$ 2,097,234.92	$ 1,430,756.91	$ 503,911.18	$ 162,566.83
Land purchase agreement	210,000.00	.....	210,000.00	.....	.....	.....
Relief loans from State of California	1,615,427.40	.....	1,615,427.40	1,615,427.40	.....	.....
Accrued interest thereon	205,735.49	.....	205,735.49	205,735.49	.....	.....
Warrants outstanding	1,280,322.95	219,557.64	1,060,765.31	791,462.73	5,929.66	263,372.92
Commitments (contra)	6,107,204.18	.....	6,107,204.18	6,107,204.18	.....	.....
	$ 12,725,896.42	$ 1,639,529.12	$ 11,086,367.30	$ 10,150,586.71	$ 509,840.84	$ 425,939.75
Special and trust funds	$ 23,293,380.23	.....	$ 23,293,380.23	.....	.....	$ 23,293,380.23
Interfund accounts (contra)	$ 878,892.27	$ 693,874.59	$ 185,017.68	$ 108,837.38	$ 61,472.99	$ 14,707.31
Deferred credits:						
Taxes collected for year 1938-39	$ 1,497,007.53	.....	$ 1,497,007.53	$ 1,497,007.53	.....	.....
Other deferred credits and reserves	1,183,510.46	$ 1,000,758.98	182,751.48	169,182.66	.....	$ 13,568.82
	$ 2,680,517.99	$ 1,000,758.98	$ 1,679,759.01	$ 1,666,190.19	.....	$ 13,568.82
SURPLUS:						
Detailed statements annexed	$232,190,039.48	$ 55,486,364.67	$176,703,674.81	$ 6,267,124.52	$170,436,550.29	.....
	$436,481,681.48	$173,577,170.89	$262,904,510.59	$ 26,210,450.36	$212,946,464.12	$ 23,747,596.11

Notes:

1. Public Service Enterprises assets and liabilities are set forth in detail on page 46 of this report.
2. Bonds authorized but not issued as at June 30, 1938, amounted to $3,800,000 as follows:

1938 Hospital	$1,600,000
1938 Airport	2,200,000
	$3,800,000

CURRENT SURPLUS—GENERAL CITY AND COUNTY

For the year ended June 30, 1938

Balance, June 30, 1937	$5,840,925.33
Add, net revenues for the year ended June 30, 1938, details annexed	426,199.19
Balance, June 30, 1938	$6,267,124.52

CAPITAL SURPLUS—GENERAL CITY AND COUNTY

For the year ended June 30, 1938

Balance, June 30, 1937		$162,598,488.00
Add:		
Matured bonds transferred to current funds ledger	$ 3,125,100.00	
Capital additions from revenues	1,920,928.31	
Capital additions from trust funds	2,862,903.23	
Federal grants earned	409,072.48	
Premiums from sales of bonds	84,954.56	
Gains from sales of land	70,089.25	
	$ 8,473,047.83	
Deduct:		
Transfers to current funds for bond redemption, interest, and purchase of lands	634,985.54	
Net additions		7,838,062.29
Balance, June 30, 1938		$170,436,550.29

Composition of capital surplus:

Capital expenditures	$211.547,232.87
Less, bonded debt	41,938,600.00
Net property investment	$169,608,632.87
Cash and receivables, less, accounts payable	827,917.42
	$170,436,550.29

REVENUES AND EXPENDITURES—GENERAL CITY AND COUNTY

For the years ended June 30, 1938 and 1937

REVENUES

	Year Ended June 30 1938	1937
Property taxes:		
Real and personal property	$31,984,125.97	$30,968,912.20
Penalties on delinquencies	92,799.66	16,065.39
	$32,076,925.63	$30,984,977.59
Other taxes and licenses:		
Business and vehicle licenses	$ 306,826.77	$ 317,890.92
Franchise taxes	323,857.97	314,544.99
Building permits, etc.	132,677.85	149,505.60
	$ 763,362.59	$ 781,941.51
Received through State of California:		
Common schools	$ 2,504,015.25	$ 2,558,336.99
High schools	2,132,802.14	2,068,248.47
County roads	1,254,206.39	1,196,319.09
Other	4,788,955.43	3,667,659.05
	$10,679,979.21	$ 9,490,563.60
Other revenues:		
Departmental revenues, details annexed	$ 1,683,044.24	$ 1,645,310.21
Interest earned	37,459.97	81,265.43
Rents	18,743.31	23,526.32
Court fines	186,124.83	156,579.25
Contributions from Water Department	1,734,330.10	1,407,984.00
Federal grants	104,639.37	353,922.89
Federal grant cash and bond premium transferred from capital funds for bond interest and redemption and purchase of lands	634,985.54	490,901.63
Miscellaneous revenues, net	.....	77,110.04
	$ 4,399,327.36	$ 4,236,599.77
Total revenues	$47,919,594.79	$45,494,082.47

EXPENDITURES

Departmental expenses, details annexed	$34,604,364.41	$31,951,687.83
Bond redemption	3,125,100.00	3,150,100.00
Bond interest	2,242,890.46	2,389,524.78
Other interest	106,345.79	84,125.61
Pensions and compensation insurance	2,292,162.26	2,214,147.64
Judgments and losses	79,354.38	155,331.10
Publicity and advertising	190,782.07	199,224.11
Contributions to public service enterprises:		
Hetch Hetchy project	2,574,232.59	1,687,787.71
Airport	322,188.01	203,148.17
Municipal Railway	6,300.06	.....
Additions to property from revenues	1,920,928.31	2,945,921.22
Miscellaneous, net	28,747.26	.....
Total expenditures	$47,493,395.60	$44,980,998.17
Net revenues	$ 426,199.19	$ 513,084.30

DEPARTMENTAL REVENUES—GENERAL CITY AND COUNTY

For the years ended June 30, 1938 and 1937

	Year Ended June 30 1938	1937
General government:		
Municipal Courts	$ 68,007.50	$ 60,788.56
County Clerk	99,479.05	98,704.46
Sheriff	40,372.05	34,631.31
Coroner	956.00	981.60
Registrar	2,479.50	4,302.95
City Engineer	16,107.83	17,360.25
Treasurer	14,737.93	12,377.22
Department of Public Works	1,515.83	660.59
Other	2,758.49	3,010.57
	$ 246,414.18	$ 232,817.51
Protection of life and property:		
Recorder	$ 116,714.25	$ 132,119.10
Department of Electricity	87,036.41	85,260.23
Public Administrator	60,393.77	63,228.15
Public Pound	2,958.00	2,880.25
Fire Department	5,471.07	5,651.46
Police Department	2,558.89	1,591.16
Agricultural Commission	9,776.97	8,457.52
	$ 284,909.36	$ 299,187.87
Education:		
Schools	$ 173,203.88	$ 158,893.17
Library	20,682.75	20,088.64
	$ 193,886.63	$ 178,981.81
Recreation:		
Park Commission	$ 411,660.49	$ 401,589.67
Recreation Commission	54,515.96	46,197.32
Auditorium	33,819.29	45,262.77
War Memorial	43,959.83	42,156.60
Art Commission	36,624.38	33,180.09
De Young Museum	319.84	846.05
California Palace of Legion of Honor	1,572.62	1,445.05
	$ 582,472.41	$ 570,677.55
Charities, hospitals, and corrections:		
Juvenile Detention Home	$ 55,701.66	$ 54,754.24
Board of U. S. Prisoners	15,348.80	14,452.00
San Francisco Hospital	26,740.23	24,804.11
Relief Home	7,281.25	16,723.61
Other	631.95	5,869.42
	$ 105,703.89	$ 116,603.38
Other:		
Central Office, Department of Health	$ 180,569.57	$ 175,084.86
Highways, Department of Public Works	81,754.29	64,387.72
General and miscellaneous	7,333.91	7,569.51
	$ 269,657.77	$ 247,042.09
Total departmental revenues	$1,683,044.24	$1,645,310.21

DEPARTMENTAL EXPENSES—GENERAL CITY AND COUNTY

For the years ended June 30, 1938 and 1937

	Year Ended June 30 1938	1937
General government:		
Board of Supervisors	$ 60,349.23	$ 80,864.46
Clerk of Board of Supervisors	40,644.21	41,558.39
Mayor	49,765.63	54,079.68
Chief Administrative Officer	22,980.38	32,010.02
Controller	267,954.88	220,609.68
Treasurer	56,182.37	54,856.11
Assessor	239,663.61	219,296.36
Tax Collector	152,035.31	161,698.64
City Attorney	87,332.51	98,512.02
District Attorney	115,953.72	143,312.97
Public Defender	19,406.10	18,579.03
Other general executives:		
Director of Finance and Records	9,655.76	5,984.45
Department of Public Works	70,335.76	67,424.48
City Engineer	225,478.42	243,467.10
Civil Service Commission	88,536.22	67,045.25
City Planning Commission	17,155.19	16,684.83
Central Permit Bureau	18,386.41	16,288.71
Board of Permit Appeals	8,031.62	7,964.02
Real Estate Department	22,496.37	25,473.55
Other	6,976.15	.....
Judiciary:		
Municipal Courts	239,781.12	217,075.42
Superior Courts	236,769.19	221,913.38
County Clerk	136,999.50	144,936.59
Law Library	11,748.63	11,461.25
Grand Jury	12,830.91	14,980.32
Coroner	63,654.09	58,094.62
Sheriff	157,012.37	149,977.79
Elections	164,473.62	268,488.17
Care and maintenance of buildings	407,716.58	373,764.98
Rent of leased buildings	8,800.00	4,416.00
	$ 3,019,105.86	$ 3,040,818.27
Protection of life and property:		
Police Department	$ 3,504,394.55	$ 3,523,037.20
Fire Department	3,288,252.20	3,247,563.05
Recorder	103,527.64	95,468.20
Sealer of Weights and Measures	21,848.87	21,734.90
Inspection service	130,517.43	120,967.45
Department of Electricity	163,017.10	153,134.92
Public pound	16,500.00	18,000.00
Public Administrator	40,288.12	39,914.18
	$ 7,268,345.91	$ 7,219,819.90
Education:		
Schools	$ 9,230,467.42	$ 9,004,481.26
Libraries	457,494.33	445,790.04
	$ 9,687,961.75	$ 9,450,271.30

Recreation:		
Educational	$ 353,274.30	$ 336,638.73
Parks	908,291.00	804,219.52
Golf links	135,718.00	114,643.06
Kezar Stadium	29,411.54	16,160.20
Music and celebrations	43,974.71	35,061.95
Auditorium	51,624.98	46,655.10
Opera House	47,925.20	77,007.45
War Memorial	80,255.85	36,796.84
Playgrounds	613,470.82	529,036.44
	$ 2,263,946.40	$ 1,996,219.29
Charities, hospitals, and corrections:		
General administration	$ 211,533.21	$ 141,010.10
Relief of needy and unemployed	2,097,288.15	1,628,894.60
Poor in institutions (Relief Home)	592,388.78	576,303.13
Maintenance of orphans and half orphans	534,132.96	595,925.82
Widows' pensions	339,613.43	246,599.18
Hospitals	1,797,316.44	1,697,073.46
Insane in hospitals	173,867.44	114,524.56
Relief of needy aged	2,897,194.73	1,924,094.85
Relief of needy blind	214,738.65	143,961.35
County jails	247,086.64	242,490.90
Juvenile Detention Home	40,088.55	35,146.08
Adult Probation Board	26,536.99	26,482.80
Juvenile Court	87,981.48	79,814.28
Burial of indigent dead	10,458.00	13,158.00
	$ 9,270,225.45	$ 7,465,479.11
Conservation of health:		
General administration	$ 60,229.19	$ 53,698.74
Statistics	17,280.89	16,090.97
Prevention and treatment of communicable diseases	267,361.87	239,606.33
Conservation of child life	271,862.97	233,116.93
Food regulation and inspection	103,935.07	96,007.41
	$ 720,669.99	$ 638,520.38
Sanitation:		
Sewers and sewage disposal	$ 331,351.82	$ 287,075.28
Street cleaning	538,895.25	527,421.09
Removal of dead animals	7,032.00	5,000.00
Inspection service	71,797.57	70,687.82
	$ 949,076.64	$ 890,184.19
Highways:		
Care and maintenance of highways and highway structures	$ 444,536.14	$ 379,542.76
Other care of streets, roads, and alleys	55,227.26	17,101.70
Street lighting	730,447.42	657,579.62
	$ 1,230,210.82	$ 1,054,224.08
Other:		
Purchasing department	$ 157,508.32	$ 161,270.40
Administration of public trusts	37,313.27	34,880.91
	$ 194,821.59	$ 196,151.31
Total departmental expenses	$34,604,364.41	$31,951,687.83

CITY AND COUNTY OF SAN FRANCISCO

PUBLIC SERVICE ENTERPRISES

PROPRIETARY BALANCE SHEET

June 30, 1938

ASSETS:	Total	Water Department	Hetch Hetchy Project	Municipal Railway	Airport	Public Utilities Improvement Fund
Fixed capital	$188,659,817.22	$70,345,808.62	$106,254,117.27	$9,987,392.29	$2,072,499.04	.....
Less, provision for depreciation	27,576,442.93	19,475,709.07	1,782,613.31	6,266,467.83	51,652.72	.....
	$161,083,374.29	$50,870,099.55	$104,471,503.96	$3,720,924.46	$2,020,846.32	.....
Cash:						
On deposit with treasurer	9,138,929.52	3,386,085.66	4,088,173.42	1,005,269.26	615,654.61	$ 43,746.57
Other cash	42,658.88	30,000.00	8,458.88	4,000.00	200.00	.....
Accounts receivable and accrued revenues	983,115.19	498,259.71	405,612.85	670.10	6,381.27	72,191.26
Interfund accounts:						
Public service enterprises (contra)	87,802.30	84,305.05	3,297.15	200.10	.....	.....
General city and county	30,309.03	25,633.80	140.62	1,043.72	3,490.89	.....
Deferred charges	2,210,981.68	463,969.32	418,555.41	285,318.06	326,715.72	716,423.17
	$173,577,170.89	$55,358,353.09	$109,395,742.29	$5,017,425.70	$2,973,288.81	$832,361.00
LIABILITIES:						
Bonded debt	$112,279,500.00	$42,004,000.00	$ 68,073,000.00	$1,500,500.00	$ 702,000.00	.....
Bond interest payable	2,477,143.53	892,606.66	1,557,571.04	19,652.50	7,313.33	.....
Accounts payable	1,639,529.12	441,677.25	413,111.77	188,552.05	564,969.56	$ 31,218.49
Interfund accounts:						
Public service enterprises (contra)	87,802.30	200.10	11,869.37	130.90	3,410.78	72,191.15
General city and county	606,072.29	525,168.94	57,207.40	18,886.46	4,809.49	.....
Deferred credits and reserves	1,000,758.98	452,545.76	46,127.90	97,282.94	1,161.98	403,640.40
	$118,090,806.22	$44,316,198.71	$ 70,158,887.48	$1,825,004.85	$1,283,665.14	$507,050.04
SURPLUS:						
Detailed statement annexed	$ 55,486,364.67	$11,042,154.38	$ 39,236,854.81	$3,192,420.85	$1,689,623.67	$325,310.96
	$173,577,170.89	$55,358,353.09	$109,395,742.29	$5,017,425.70	$2,973,288.81	$832,361.00

CITY AND COUNTY OF SAN FRANCISCO

PUBLIC SERVICE ENTERPRISES

REVENUES, EXPENSES, AND SURPLUS

For the year ended June 30, 1938

REVENUES AND EXPENSES:	Total	Water Department	Hetch Hetchy Project	Municipal Railway	Airport	Public Utilities Improvement Fund
Operating revenues	$12,797,157.76	$ 6,863,210.74	$ 2,396,429.50	$3,472,879.98	$ 64,637.54	.....
Operating expenses	6,783,240.83	2,817,647.14	549,874.55	3,316,243.64	99,475.50	.....
Net operating revenues	$ 6,013,916.93	$ 4,045,563.60	$ 1,846,554.95	$ 156,636.34	$ *34,837.96*	.....
Other revenues:						
Interest earned	$ 12,729.52	$ 10,057.55	$ 4.10	$ 2,667.87	.....	.....
Rental income	55,241.20	52,733.37	2,507.83	.....	.....	.....
Other	34,424.57	28,163.29	.....	6,261.28	.....	.....
	$ 102,395.29	$ 90,954.21	$ 2,511.93	$ 8,929.15	.....	.....
Other expenses:						
Bond interest	$ 4,789,676.39	$ 1,678,143.91	$ 3,031,502.49	$ 77,083.33	$ 2,946.66	.....
Other	32,094.12	31,818.45	.....	275.67	.....	.....
	$ 4,821,770.51	$ 1,709,962.36	$ 3,031,502.49	$ 77,359.00	$ 2,946.66	.....
Net profit or *loss*	$ 1,294,541.71	$ 2,426,555.45	*$ 1,182,435.61*	$ 88,206.49	*$ 37,784.62*	.....
SURPLUS:						
Balances, June 30, 1937	$55,269,543.04	$11,937,021.93	$38,548,072.46	$3,127,436.84	$1,403,916.16	$253,095.65
Add:						
Net profit or *loss*	1,294,541.71	2,426,555.45	*1,182,435.61*	88,206.49	*37,784.62*	.....
Contributions from taxes	1,168,390.56	*1,734,330.10*	2,574,232.59	6,300.06	322,188.01	.....
Contributions from other funds	.....	*561,175.21*	561,175.21	.....	.....	.....
Other additions	*2,246,110.64*	*1,025,917.69*	*1,264,189.84*	*29,522.54*	1,304.12	72,215.31
Balances, June 30, 1938	$55,486,364.67	$11,042,154.38	$39,236,854.81	$3,192,420.85	$1,689,623.67	$325,310.96

SUMMARY OF PROPERTIES

June 30, 1938

GENERAL CITY AND COUNTY:	Total	Land	Buildings, Structures and Improvements	Equipment
General Government:				
Civic Center, including City Hall	$ 8,735,430.84	$ 2,235,954.63	$ 4,085,038.10	$ 2,414,438.11
Hall of Justice	1,282,813.41	368,770.00	883,069.79	30,973.62
Protection of life and property:				
Fire Department	10,146,091.64	635,445.38	6,615,907.11	2,894,739.15
Police Department	2,045,385.58	390,624.30	1,069,223.92	585,537.36
Department of Electricity	870,979.07	44,000.00	722,558.40	104,420.67
Conservation of health:				
San Francisco Health Farm	550,812.50	29,442.00	466,327.26	55,043.24
Civic Center Health Building	930,837.18	150,000.00	711,230.81	69,606.37
Excelsior Health Center	85,308.54	14,560.00	66,618.18	4,130.36
Sanitation:				
Sewers	18,513,794.18	71,795.96	18,367,602.09	74,396.13
Street Cleaning Department	242,428.54	.....	.....	242,428.54
Garbage incinerators	130,142.60	65,000.00	65,142.60	.....
Highways:				
Streets, tunnels, bridges, etc.	58,478,801.15	5,839,535.14	52,639,229.51	36.50
Asphalt plant	289,298.52	15,070.11	105,492.82	168,735.59

GENERAL CITY AND COUNTY (Continued):				
Charities and corrections:				
San Francisco Hospital	5,056,142.73	695,579.60	3,701,018.12	659,545.01
Other Health Department properties	709,791.11	164,583.06	280,815.72	264,392.33
Laguna Honda Home	3,732,638.19	30,000.00	3,225,326.67	477,311.52
County Jail	856,360.33	46,453.32	797,981.48	11,925.53
Juvenile Detention Home	206,582,42	10,310.00	174,079.41	22,193.01
Education:				
Schools	45,164,900.10	9,867,383.71	32,163,439.20	3,134,077.19
Libraries	3,383,845.39	392,710.00	1,239,544.52	1,751,590.87
Recreation:				
Parks and squares	24,939,300.38	19,641,224.61	4,959,862.60	338,213.17
Swimming pool and playgrounds	4,924,512.44	2,838,748.90	1,949,124.15	136,639.39
Golf links	387,384.83	.....	387,384.83	.....
Kezar Stadium	782,753.05	95,645.30	687,107.75	.....
Museums and art galleries	668,070.79	.....	489,884.09	178,186.70
War Memorial and Opera House	5,403,285.99	463,187.20	4,789,220.39	150,878.40
Auditorium	2,278,346.00	701,437.00	1,508,582.20	68,326.80
Miscellaneous:				
Central warehouse and corporation yard	284,278.79	163,843.17	111,958.72	8,476.90
Miscellaneous	431,333.05	218,902.31	163,066.09	49,364.65
	$201,511,649.34	$45,190,205.70	$142,425,836.53	$13,895,607.11
Work in progress	10,035,583.53			
Total General City and County properties	$211,547,232.87			
PUBLIC SERVICE ENTERPRISES	188,659,817.22			
	$400,207,050.09			

BONDED INDEBTEDNESS

For the Year Ended June 30, 1938

GENERAL CITY AND COUNTY:		Outstanding June 30, 1937	Sold	Redeemed	Outstanding June 30, 1938
Issue of June 30, 1904, 3½ per cent:					
Golden Gate Park and Presidio Extension		$ 65,600	.....	$ 8,200	$ 57,400
Library		328,800	.....	41,100	287,700
Mission Park		58,400	.....	7,300	51,100
Playgrounds		148,000	.....	18,500	129,500
Issue of July 1, 1908, 5 per cent:					
Fire protection		2,470,000	.....	130,000	2,340,000
School		400,000	.....	196,000	204,000
Sewer		1,800,000	.....	100,000	1,700,000
Miscellaneous, 4½ per cent:					
School	Mar. 1, 1918	877,000	.....	37,000	840,000
Memorial Halls	July 1, 1927	3,000,000	.....	200,000	2,800,000
Bernal Cut	July 1, 1927	1,050,000	.....	70,000	980,000
Boulevard	Nov. 1, 1927	7,035,000	.....	468,000	6,567,000
Sewer	Jan. 1, 1929	1,800,000	.....	100,000	1,700,000
Hospital	Jan. 1, 1929	2,800,000	.....	175,000	2,625,000
County Jail	Jan. 1, 1931	750,000	.....	50,000	700,000
Playgrounds	Feb. 1, 1931	184,000	.....	8,000	176,000
Boulevards and Roads	Feb. 1, 1931	828,000	.....	30,000	798,000
Parks and Squares	Feb. 1, 1931	1,288,000	.....	56,000	1,232,000

GENERAL CITY AND COUNTY (Continued):					
Miscellaneous, 5 per cent:					
Exposition	May 1, 1912	503,000	.....	260,000	243,000
City Hall and Civic Center	July 1, 1912	4,800,000	.....	198,000	4,602,000
School	Mar. 1, 1923	9,000,000	.....	55,000	8,945,000
Relief Home	Mar. 1, 1923	1,000,000	.....	5,000	995,000
Relief Bonds, September 1, 1932:					
4 to 5 per cent		5,958,000	.....	542,000	5,416,000
Public Works Projects:					
Sewers, 4 per cent	Dec. 1, 1933	1,611,000	$ 547,000	81,000	2,077,000
High Pressure System, 3 and 5 per cent	Dec. 1, 1933	1,700,000	.....	100,000	1,600,000
Schools, 3 and 5 per cent	Jan. 1, 1934	2,100,000	.....	300,000	1,800,000
Total bonded indebtedness of General City and County		$ 51,554,800	$ 547,000	$3,236,100	$ 48,865,700
PUBLIC SERVICE ENTERPRISES:					
Details on schedule annexed		113,944,600	1,460,000	3,125,100	112,279,500
Total bonded indebtedness, including Public Service Enterprises		$165,499,400	$2,007,000	$6,361,200	$161,145,200

BONDED INDEBTEDNESS—PUBLIC SERVICE ENTERPRISES

For the Year Ended June 30, 1938

	Outstanding June 30, 1937	Sold	Redeemed	Outstanding June 30, 1938
Hetch Hetchy Water and Power Project:				
July 1, 1910, 4½ per cent	$ 28,010,000	.....	$ 987,000	$ 27,023,000
January 1, 1925, 5 per cent	8,000,000	.....	250,000	7,750,000
July 1, 1928, 4½ per cent	24,000,000	.....	.....	24,000,000
June 1, 1932:				
2¾ per cent	324,000	.....	.....	324,000
3 per cent	194,000	.....	.....	194,000
4 per cent	280,000	.....	.....	280,000
4½ per cent	143,000	.....	.....	143,000
5 per cent	1,234,000	.....	.....	1,234,000
5¾ per cent	4,325,000	.....	.....	4,325,000
December 1, 1933, 4 per cent	2,975,000	.....	175,000	2,800,000
	$ 69,485,000	.....	$1,412,000	$ 68,073,000
Water Department:				
Spring Valley Water, July 1, 1928, 4½ per cent	$ 34,000,000	.....	$ 998,000	$ 33,002,000
Water Distribution, December 1, 1933, 4 per cent	8,755,000	$ 810,000	563,000	9,002,000
	$ 42,755,000	$ 810,000	$1,561,000	$ 42,004,000
Municipal Railway, December 1, 1913, 5 per cent	$ 1,600,600	.....	$ 100,100	$ 1,500,500
Airport:				
December 1, 1933, 4 per cent	$ 104,000	.....	$ 52,000	$ 52,000
January 1, 1938, 2 per cent	.....	$ 650,000	.....	650,000
	$ 104,000	$ 650,000	$ 52,000	$ 702,000
Total bonded indebtedness of Public Service Enterprises	$113,944,600	$1,460,000	$3,125,100	$112,279,500

SCHEDULE OF BOND REDEMPTION

Based on Bonds Outstanding June 30, 1938

Maturity	Grand Total	General City and County	PUBLIC SERVICE ENTERPRISES				
			Total	Hetch Hetchy	Water Department	Municipal Railway	Airport
July 1, 1938, and prior	$ 4,136,600	$ 1,511,100	$ 2,625,500	$ 1,623,000	$ 1,002,000	$ 500	.....
1938-39	7,407,100	3,467,100	3,940,000	2,225,000	1,563,000	100,000	$ 52,000
1939-40	7,220,100	3,267,100	3,953,000	2,225,000	1,563,000	100,000	65,000
1940-41	7,220,100	3,267,100	3,953,000	2,225,000	1,563,000	100,000	65,000
1941-42	7,220,100	3,267,100	3,953,000	2,225,000	1,563,000	100,000	65,000
1942-43	7,045,100	3,092,100	3,953,000	2,225,000	1,563,000	100,000	65,000
1943-44	7,045,100	3,092,100	3,953,000	2,225,000	1,563,000	100,000	65,000
1944-45	6,670,000	2,717,000	3,953,000	2,225,000	1,563,000	100,000	65,000
1945-46	6,670,000	2,717,000	3,953,000	2,225,000	1,563,000	100,000	65,000
1946-47	6,670,000	2,717,000	3,953,000	2,225,000	1,563,000	100,000	65,000
1947-48	6,566,000	2,613,000	3,953,000	2,225,000	1,563,000	100,000	65,000
1948-49	6,028,000	2,075,000	3,953,000	2,225,000	1,563,000	100,000	65,000
1949-50	5,963,000	2,075,000	3,888,000	2,225,000	1,563,000	100,000	.....
1950-51	5,962,000	2,074,000	3,888,000	2,225,000	1,563,000	100,000	.....
1951-52	5,692,000	1,804,000	3,888,000	2,225,000	1,563,000	100,000	.....
1952-53	5,173,000	1,285,000	3,888,000	2,225,000	1,563,000	100,000	.....
1953-54	4,892,000	1,110,000	3,782,000	2,225,000	1,557,000	.....	.....
1954-55	3,960,000	910,000	3,050,000	2,050,000	1,000,000	.....	.....
1955-56	3,730,000	680,000	3,050,000	2,050,000	1,000,000	.....	.....
1956-57	3,730,000	680,000	3,050,000	2,050,000	1,000,000	.....	.....
1957-58	3,730,000	680,000	3,050,000	2,050,000	1,000,000	.....	.....
1958-59	3,730,000	680,000	3,050,000	2,050,000	1,000,000	.....	.....
1959-60	3,730,000	680,000	3,050,000	2,050,000	1,000,000	.....	.....
1960-61	3,430,000	380,000	3,050,000	2,050,000	1,000,000	.....	.....
1961-62	3,430,000	380,000	3,050,000	2,050,000	1,000,000	.....	.....
1962-63	3,430,000	380,000	3,050,000	2,050,000	1,000,000	.....	.....
1963-64	3,415,000	365,000	3,050,000	2,050,000	1,000,000	.....	.....
1964-65	2,350,000	300,000	2,050,000	1,050,000	1,000,000	.....	.....
1965-66	2,350,000	300,000	2,050,000	1,050,000	1,000,000	.....	.....
1966-67	2,350,000	300,000	2,050,000	1,050,000	1,000,000	.....	.....
1967-68	2,050,000	.....	2,050,000	1,050,000	1,000,000	.....	.....
1968-69	2,050,000	.....	2,050,000	1,050,000	1,000,000	.....	.....
1969-70	1,800,000	.....	1,800,000	800,000	1,000,000	.....	.....
1970-71	700,000	.....	700,000	700,000	.....	.....	.....
1971-72	600,000	.....	600,000	600,000	.....	.....	.....
1972-73	600,000	.....	600,000	600,000	.....	.....	.....
1973-74	600,000	.....	600,000	600,000	.....	.....	.....
1974-75	600,000	.....	600,000	600,000	.....	.....	.....
1975-76	600,000	.....	600,000	600,000	.....	.....	.....
1976-77	600,000	.....	600,000	600,000	.....	.....	.....
	$161,145,200	$48,865,700	$112,279,500	$68,073,000	$42,004,000	$1,500,500	$702,000

CITY AND COUNTY OF SAN FRANCISCO

SUMMARY OF FUNDING BALANCE SHEETS

June 30, 1938

ASSETS:	Grand Total	Public Service Enterprises	General City and County			
			Total	Current Accounts	Capital Accounts	Special and Trust Accounts
Cash:						
On deposit with treasurer	$21,432,465.27	$ 9,138,929.52	$12,293,535.75	$ 9,446,061.34	$1,391,611.68	$ 1,455,862.73
Less, warrants outstanding and matured bonds and coupons	2,523,586.20	557,625.14	1,965,961.06	1,696,658.48	5,929.66	263,372.92
Available cash	$18,908,879.07	$ 8,581,304.38	$10,327,574.69	$ 7,749,402.86	$1,385,682.02	$ 1,192,489.81
Other cash	69,258.88	42,658.88	26,600.00	26,600.00	.....	.....
Total cash	$18,978,137.95	$ 8,623,963.26	$10,354,174.69	$ 7,776,002.86	$1,385,682.02	$ 1,192,489.81
Investment securities	21,821,615.25	.....	21,821,615.25	.....	.....	21,821,615.25
Taxes receivable, less allowance for uncollectible taxes	1,024,243.78	3,490.89	1,020,752.89	1,020,752.89	.....	.....
Revenues accrued and accounts receivable	2,899,682.14	983,115.19	1,916,566.95	1,550,164.79	7,619.57	358,782.59
Federal grants (unearned portion)	26,086.38	.....	26,086.38	.....	26,086.38	.....
Unsold bonds (par value)	3,800,000.00	2,200,000.00	1,600,000.00	.....	1,600,000.00	.....
Interfund accounts (contra)	4,870,215.16	496,736.36	4,373,478.80	4,265,824.81	.....	107,653.99
Deferred charges	5,000.00	.....	5,000.00	.....	.....	5,000.00
	$53,424,980.66	$12,307,305.70	$41,117,674.96	$14,612,745.35	$3,019,387.97	$23,485,541.64
LIABILITIES:						
Accounts payable:						
Bonds due July 1, 1938	$ 3,500,000.00	$ 2,600,000.00	$ 900,000.00	$ 900,000.00	.....	.....
Bond interest due July 1, 1938	2,536,362.50	2,090,250.00	446,112.50	446,112.50	.....	.....
	$ 6,036,362.50	$ 4,690,250.00	$ 1,346,112.50	$ 1,346,112.50	.....	.....
Less, bonds and interest due July 1, 1938, included in budget for year 1938-39	536,500.00	6,500.00	530,000.00	530,000.00	.....	.....
Balance in 1937-38 budget	$ 5,499,862.50	$ 4,683,750.00	$ 816,112.50	$ 816,112.50	.....	.....
Contracts, purchase orders, etc.	3,307,206.40	1,209,971.48	2,097,234.92	$ 1,430,756.91	$ 503,911.18	$ 162,566.83
Total accounts payable	$ 8,807,068.90	$ 5,893,721.48	$ 2,913,347.42	$ 2,246,869.41	$ 503,911.18	$ 162,566.83
Special and trust funds	23,286,409.03	.....	23,286,409.03	.....	.....	23,286,409.03
Interfund accounts (contra)	4,870,215.16	1,090,659.26	3,779,555.90	3,617,527.64	126,798.30	35,229.96
Taxes collected for year 1938-39	1,497,007.53	.....	1,497,007.53	1,497,007.53	.....	.....
Other deferred credits	132,028.02	.....	132,028.02	130,692.20	.....	1,335.82
	$38,592,728.64	$ 6,984,380.74	$31,608,347.90	$ 7,492,096.78	$ 630,709.48	$23,485,541.64
SURPLUS:						
Unappropriated balances	$ 6,417,170.39	$ 3,171,563.53	$ 3,245,606.86	$ 1,490,075.89	$1,755,530.97	.....
Unencumbered appropriations	5,249,493.46	2,108,702.55	3,140,790.91	2,507,643.39	633,147.52	.....
Cash reserve fund (Section 81 of charter)	3,096,329.29	.....	3,096,329.29	3,096,329.29	.....	.....
Cash reserve (other cash)	69,258.88	42,658.88	26,600.00	26,600.00	.....	.....
	$14,832,252.02	$ 5,322,924.96	$ 9,509,327.06	$ 7,120,648.57	$2,388,678.49	.....
	$53,424,980.66	$12,307,305.70	$41,117,674.96	$14,612,745.35	$3,019,387.97	$23,485,541.64

CITY AND COUNTY OF SAN FRANCISCO

GENERAL CITY AND COUNTY

CURRENT FUNDS BALANCE SHEET

June 30, 1938

ASSETS					NAME OF FUND	LIABILITIES AND SURPLUS							
Available Cash	Other Cash	Accounts Receivable	Interfund Accounts	Totals		Totals	Accounts Payable	Interfund Accounts	Taxes 1938-39	Deferred Credits	Unappropriated Balances	Unencumbered Appropriations	Cash Reserves
$1,458,874.42	$14,600.00	$1,374,738.31	$ 931,875.73	$ 3,780,088.46	General Fund	$ 3,780,088.46	$ 706,958.32	$2,457,260.46	.....	$ 96,872.14	$ 223,888.99	$ 280,508.55	$ 14,600.00
621,893.11	250.00	159,168.99	.....	781,312.10	Common School	781,312.10	130,298.46	218,375.29	.....	.....	422,373.75	10,014.60	250.00
1,161,643.20	.....	31,793.55	156,670.44	1,350,107.19	Special School Tax	1,350,107.19	192,056.11	84,515.57	.....	35.00	23,267.38	1,050,233.13	.....
3,442.74	.....	.....	.....	3,442.74	P. W. A. School Building Construction	3,442.74	.....	480.94	.....	.....	28.22	2,933.58	.....
9,322.33	.....	.....	.....	9,322.33	P. W. A. Polytechnic High Girls' Gymnasium	9,322.33	.....	573.57	.....	.....	1.60	8,747.16	.....
124,055.83	2,250.00	33,139.31	8,525.00	167,970.14	Park	167,970.14	44,419.49	43,510.00	.....	.....	.....	77,790.65	2,250.00
39,448.66	500.00	14,691.64	.....	54,640.30	Library	54,640.30	22,308.89	29,331.41	.....	.....	.....	2,500.00	500.00
102,691.92	5,500.00	20,290.40	.....	128,482.32	Recreation	128,482.32	41,024.67	47,717.19	.....	116.50	.....	34,123.96	5,500.00
326,609.69	.....	467,799.64	22,994.25	817,403.58	County Roads	817,403.58	39,113.71	99,098.07	.....	30,316.39	491,906.00	156,969.41	.....
18,812.34	1,000.00	2,650.20	.....	22,462.54	California Palace Legion of Honor	22,462.54	9,596.92	9,036.45	.....	.....	.....	2,829.17	1,000.00
13,147.64	1,000.00	2,719.78	.....	16,867.42	De Young Memorial Museum	16,867.42	1,797.78	3,426.39	.....	.....	.....	10,643.25	1,000.00
6,807.23	.....	6,405.75	.....	13,212.98	Publicity and Advertising	13,212.98	9,726.56	760.93	.....	.....	681.84	2,043.65	.....
109,048.05	.....	24,372.00	12,900.00	146,320.05	Indigent Sick and Dependent Poor	146,320.05	69,742.80	5,484.89	.....	.....	44,983.97	26,108.39	.....
66,105.87	.....	4,187.91	.....	70,293.78	Tax Judgments	70,293.78	.....	.....	.....	.....	4,705.52	65,588.26	.....
3,339.24	.....	.....	.....	3,339.24	Department of Electricity (Installation)	3,339.24	392.55	.....	.....	.....	2,212.49	734.20	.....
50,030.86	.....	110.79	.....	50,141.65	Special Election	50,141.65	.....	141.65	.....	.....	.....	50,000.00	.....
11,121.13	.....	2,780.19	.....	13,901.32	War Memorial	13,901.32	836.45	12,861.14	.....	.....	.....	203.73	.....
9,843.23	500.00	.....	.....	10,343.23	Relief	10,343.23	.....	.....	.....	3,039.97	6,803.26	.....	500.00
43,241.20	.....	.....	.....	43,241.20	Emergency Reserve	43,241.20	.....	7,280.00	.....	.....	.....	35,961.20	.....
121,018.79	.....	.....	2,975,310.50	3,096,329.29	Cash Reserve	3,096,329.29	.....	.....	.....	.....	.....	.....	3,096,329.29
1,559.70	.....	279.89	.....	1,839.59	Tax Anticipation Notes (Interest)	1,839.59	.....	.....	.....	.....	1,839.59	.....	.....
103,006.40	.....	.....	.....	103,006.40	State of California Unemployment Relief Loan	103,006.40	.....	.....	.....	.....	.....	103,006.40	.....
15,963.01	.....	.....	.....	15,963.01	State of California Unemployment Relief Loan (Interest)	15,963.01	.....	.....	.....	.....	.....	15,963.01	.....
1,397,526.83	.....	252,938.69	30,621.99	1,681,087.51	Bond Interest and Redemption	1,681,087.51	816,112.50	440,238.15	.....	.....	424,736.86	.....	.....
167,930.42	.....	.....	.....	*167,930.42*	Auditorium	*167,930.42*	.....	.....	.....	.....	*167,930.42*	.....	.....
171,879.74	.....	624.03	.....	*171,255.71*	Firemen's Relief and Pension	*171,255.71*	.....	.....	.....	.....	*171,255.71*	.....	.....
103,235.58	.....	.....	.....	*103,235.58*	Police Relief and Pension	*103,235.58*	.....	.....	.....	.....	*103,235.58*	.....	.....
41,692.23	1,000.00	.....	82,817.91	125,510.14	Public Utilities Commission	125,510.14	14,025.49	36,102.64	.....	312.20	.....	74,069.81	1,000.00
61,279.68	.....	.....	.....	61,279.68	P. W. A. Gas Tax Street Improvement	61,279.68	.....	43,606.55	.....	.....	17,516.82	156.31	.....
17.54	.....	.....	.....	17.54	W. P. A. Projects	17.54	.....	.....	.....	.....	17.54	.....	.....
46.56	.....	.....	.....	46.56	P. W. A. Reconstruction Palace of Fine Arts	46.56	.....	.....	.....	.....	.....	46.56	.....
625,904.28	.....	197,919.62	43,297.96	867,121.86	Gas Tax Street Improvement	867,121.86	148,458.71	23,892.05	.....	.....	208,533.43	486,237.67	.....
9,882.38	.....	.....	.....	9,882.38	Embarcadero Widening	9,882.38	.....	.....	.....	.....	.....	9,882.38	.....
54,020.36	.....	.....	.....	54,020.36	Fire Department Building	54,020.36	.....	53,672.00	.....	.....	.....	348.36	.....
1,497,007.53	.....	.....	.....	1,497,007.53	Assessor, Personal Property Taxes	1,497,007.53	.....	.....	$1,497,007.53	.....	.....	.....	.....
84,044.62	.....	*84,044.62*	.....	.....	Delinquent Tax Installments	.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	58,189.31	811.03	59,000.34	Employees' Retirement System	59,000.34	.....	.....	.....	.....	59,000.34	.....	.....
.....	.....	162.30	.....	162.80	Golden Gate Bridge and Highway District	162.30	.....	162.30	.....	.....	.....	.....	.....
$7,749,402.86	$26,600.00	$2,570,917.68	$4,265,824.81	$14,612,745.35		$14,612,745.35	$2,246,869.41	$3,617,527.64	$1,497,007.53	$130,692.20	$1,490,075.89	$2,507,643.39	$3,122,929.29

CITY AND COUNTY OF SAN FRANCISCO

GENERAL CITY AND COUNTY

CAPITAL FUNDS BALANCE SHEET

June 30, 1938

	NAME OF FUND	ASSETS					LIABILITIES AND SURPLUS				
		Available Cash	Accounts Receivable	Federal Grants	Unsold Bonds	Totals	Totals	Accounts Payable	Interfund Accounts	Unappropriated Balances	Unencumbered Appropriations
1927	Bernal Cut	$ 74,361.36	.....	.....	.....	$ 74,361.36	$ 74,361.36	.....	$ 1,135.32	$ 68.03	$ 73,158.01
1927	Boulevards	350,801.91	.....	.....	.....	350,801.91	350,801.91	$ 52.50	1,500.00	34,037.06	315,212.35
1929	Hospitals	37,622.70	.....	.....	.....	37,622.70	37,622.70	1,349.03	250.68	7,959.66	28,063.33
1931	Parks and Squares	32,317.23	.....	.....	.....	32,317.23	32,317.23	.....	.....	99.00	32,218.23
1931	Boulevards and Roads	849.28	.....	.....	.....	849.28	849.28	37.50	.....	.....	811.78
1931	County Jail	61.82	.....	.....	.....	61.82	61.82	.....	.....	.....	61.82
1933	Sewers	589,852.38	.....	$26,086.38	.....	615,938.76	615,938.76	421,226.65	44,608.04	84,955.74	65,148.33
1933	High Prossure System	126,273.72	.....	.....	.....	126,273.72	126,273.72	.....	7,438.00	44,672.94	74,162.78
1934	Schoolhouse	11,341.75	$4,536.27	.....	.....	15,878.02	15,878.02	.....	4,627.43	83.40	11,167.19
1929	Sewers	55,915.43	.....	.....	.....	55,915.43	55,915.43	44,610.00	3,635.71	.....	7,669.72
1929	P.W.A. Sewers	14,211.65	1,278.80	.....	.....	15,490.45	15,490.45	.....	1,496.15	.....	13,994.30
1938	Hospitals	47,697.52	.....	.....	$1,600,000.00	1,647,697.52	1,647,697.52	36,400.00	62,014.78	1,539,985.22	9,297.52
	P.W.A. Alemany Sewer	2,192.63	1,804.50	.....	.....	3,997.13	3,997.13	69.50	92.19	3,725.66	109.78
	Land Purchase	42,182.64	.....	.....	.....	42,182.64	42,182.64	166.00	.....	39,944.26	2,072.38
		$1,385,682.02	$7,619.57	$26,086.38	$1,600,000.00	$3,019,387.97	$3,019,387.97	$503,911.18	$126,798.30	$1,755,530.97	$633,147.52

CITY AND COUNTY OF SAN FRANCISCO

GENERAL CITY AND COUNTY

SPECIAL AND TRUST FUNDS BALANCE SHEET

June 30, 1938

ASSETS						NAME OF FUND	LIABILITIES				
Available Cash	Accounts Receivable	Investment Securities	Interfund Accounts	Deferred Charges	Totals		Totals	Accounts Payable	Interfund Accounts	Deferred Credits	Unapplied Balances
						Private Trusts:					
$ 23,719.00	.....	.....	.....	.....	$ 23,719.00	Special Permits	$ 23,719.00	$1,940.00	.....	.....	$ 21,779.00
2,801.79	.....	.....	.....	.....	2,801.79	Tearing up Streets	2,801.79	.....	.....	.....	2,801.79
7,357.97	.....	.....	.....	.....	7,357.97	Street Improvements	7,357.97	5.39	.....	.....	7,352.58
567.25	.....	.....	.....	.....	567.25	Excavation	567.25	.....	.....	.....	567.25
525.00	.....	.....	.....	.....	525.00	House Moving	525.00	.....	.....	.....	525.00
350.00	.....	.....	.....	.....	350.00	Special Badges	350.00	.....	.....	.....	350.00
55,850.24	.....	.....	.....	.....	55,850.24	County Clerk Special	55,850.24	.....	.....	.....	55,850.24
42,339.01	.....	.....	.....	.....	42,339.01	County Clerk Bail	42,339.01	.....	.....	.....	42,339.01
8,172.67	.....	.....	.....	.....	8,172.67	Municipal Court Special	8,172.67	.....	.....	.....	8,172.67
26,320.53	.....	.....	.....	.....	26,320.53	Municipal Court Bail	26,320.53	.....	.....	.....	26,320.53
960.00	.....	.....	.....	.....	960.00	Realty Deposits	960.00	.....	.....	.....	960.00
3,864.13	.....	.....	.....	.....	3,864.13	Absent Heirs	3,864.13	.....	.....	.....	3,864.13
5,851.24	.....	.....	.....	.....	5,851.24	Absent Creditors	5,851.24	.....	.....	.....	5,851.24
17,164.56	.....	.....	.....	.....	17,164.56	Duplicate Taxes	17,164.56	893.22	.....	$755.92	15,515.42
19,952.12	.....	.....	.....	.....	19,952.12	Twin Peaks Tunnel Refunds	19,952.12	86.61	.....	.....	19,865.51
19,773.77	.....	.....	$494.33	.....	20,268.10	Sunset Tunnel Refunds	20,268.10	.....	.....	.....	20,268.10
1,119.74	.....	.....	.....	.....	1,119.74	Bank Receiver's Deposits	1,119.74	.....	.....	.....	1,119.74
3,371.55	.....	.....	.....	.....	3,371.55	Coroner's Unclaimed Money	3,371.55	.....	.....	.....	3,371.55
6,623.62	.....	.....	.....	.....	6,623.62	Adult Probation Officer	6,623.62	320.00	.....	.....	6,303.62
19,390.84	.....	.....	.....	.....	19,390.84	School Teachers' Sabbatical Leave	19,390.84	.....	.....	.....	19,390.84
60.00	.....	.....	.....	.....	60.00	Library Card Deposits	60.00	20.00	.....	.....	40.00
5,209.74	.....	.....	.....	.....	5,209.74	Jail Stores Deposits	5,209.74	129.66	$1,271.07	.....	3,809.01
1,370.42	.....	.....	.....	.....	1,370.42	Juvenile Court	1,370.42	.....	.....	.....	1,370.42
363.96	.....	.....	.....	.....	363.96	California Palace Legion of Honor	363.96	.....	.....	.....	363.96
1,212.48	.....	.....	.....	.....	1,212.48	De Young Memorial Museum	1,212.48	.....	.....	.....	1,212.48
666.50	.....	.....	.....	.....	666.50	Police Department	666.50	177.00	.....	.....	489.50
19,000.00	.....	.....	.....	.....	19,000.00	Electrical Deposits	19,000.00	.....	.....	.....	19,000.00
160.00	.....	.....	.....	.....	160.00	Golden Gate Bridge Celebration	160.00	.....	.....	.....	160.00
1,780.16	.....	.....	.....	.....	1,780.16	Health Service	1,780.16	.....	.....	.....	1,780.16
2,500.00	.....	.....	.....	.....	2,500.00	Alta California, Inc.	2,500.00	.....	.....	.....	2,500.00
$298,398.29	.....	.....	$494.33	.....	$298,892.62	(Continued)	$298,892.62	$3,571.88	$1,271.07	$755.92	$293,293.75

CITY AND COUNTY OF SAN FRANCISCO

GENERAL CITY AND COUNTY

SPECIAL AND TRUST FUNDS BALANCE SHEET

June 30, 1938

(Continued)

NAME OF FUND	ASSETS						LIABILITIES				
	Available Cash	Accounts Receivable	Investment Securities	Interfund Accounts	Deferred Charges	Totals	Totals	Accounts Payable	Interfund Accounts	Deferred Credits	Unapplied Balances
Public Trusts:											
Employees' Retirement System	$ 170,987.40	$348,575.05	$21,635,892.28	$106,511.04	.....	$22,261,965.77	$22,261,965.77	$ 73.61	$ 3,283.89	.....	$22,258,608.27
Bequests:											
Robinson	9,204.16	840.00	42,000.00	.....	.....	52,044.16	52,044.16	.....	.....	.....	52,044.16
Olsen	247.50	22.50	978.75	.....	.....	1,248.75	1,248.75	.....	.....	.....	1,248.75
Wendel	5,239.85	450.00	15,946.95	.....	.....	21,636.80	21,636.80	.....	.....	.....	21,636.80
Marx	1,504.64	120.00	7,072.86	.....	.....	8,697.50	8,697.50	.....	.....	.....	8,697.50
Herzstein	1,696.29	112.50	5,379.01	.....	.....	7,187.80	7,187.80	.....	.....	.....	7,187.80
Sharp	7,579.17	446.66	22,966.15	.....	.....	30,991.98	30,991.98	88.38	.....	.....	30,903.60
Phelan	5,850.98	.....	.....	.....	.....	5,850.98	5,850.98	.....	.....	.....	5,850.98
Strybing	101,657.37	169.99	75,627.50	.....	.....	177,454.86	177,454.86	3,595.78	.....	.....	173,859.08
Brunetti	1,058.20	.....	94.25	.....	.....	1,152.45	1,152.45	.....	.....	.....	1,152.45
War Memorial	406.37	.....	.....	.....	.....	406.37	406.37	.....	.....	.....	406.37
Infantile Paralysis	1,620.00	.....	.....	.....	.....	1,620.00	1,620.00	.....	.....	.....	1,620.00
State Highway	312,083.10	7,000.00	.....	.....	.....	319,083.10	319,083.10	137,886.36	19,841.40	.....	161,355.34
P.W.A. Exposition Shoals	22,084.82	.....	.....	.....	.....	22,084.82	22,084.82	14,882.82	5,089.27	$ 579.90	1,532.83
Panama Pacific Exposition	.....	.....	15,657.50	.....	.....	15,657.50	15,657.50	.....	.....	.....	15,657.50
Miscellaneous	181.32	159.77	.....	.....	.....	341.09	341.09	.....	.....	.....	341.09
	$ 641,401.17	$357,896.47	$21,821,615.25	$106,511.04	.....	$22,927,423.93	$22,927,423.93	$156,526.95	$28,214.56	$ 579.90	$22,742,102.52
Assessment and Redemption Funds:											
Consolidated Street Assessment No. 1	$ 2,701.43	.....	.....	.....	.....	$ 2,701.43	$ 2,701.43	.....	.....	.....	$ 2,701.43
Consolidated Street Assessment No. 2	141.69	.....	.....	.....	.....	141.69	141.69	.....	.....	.....	141.69
Consolidated Street Redemption No. 1	9,419.04	.....	.....	.....	.....	9,419.04	9,419.04	.....	.....	.....	9,419.04
Stockton Street Tunnel Assessment	5,551.75	.....	.....	.....	.....	5,551.75	5,551.75	.....	.....	.....	5,551.75
Sunset Tunnel Assessment	.....	$ 877.38	.....	.....	.....	877.38	877.38	.....	$ 494.33	.....	383.05
Twin Peaks Tunnel Assessment	.....	8.74	.....	.....	.....	8.74	8.74	.....	.....	.....	8.74
	$ 17,813.91	$ 886.12	.....	.....	.....	$ 18,700.03	$ 18,700.03	.....	$ 494.33	.....	$ 18,205.70
Other Special and Trust Funds:											
State of California	$ 655.61	.....	.....	$ 486.32	.....	$ 1,141.93	$ 1,141.93	.....	.....	.....	$ 1,141.93
Inheritance Taxes	88,195.78	.....	.....	.....	.....	88,195.78	88,195.78	.....	.....	.....	88,195.78
School Teachers' Permanent Fund	6,588.00	.....	.....	.....	.....	6,588.00	6,588.00	.....	.....	.....	6,588.00
Law Library	2,468.00	.....	.....	.....	.....	2,468.00	2,468.00	$ 2,468.00	.....	.....	.....
Golden Gate Bridge and Highway District	11.38	.....	.....	162.30	.....	173.68	173.68	.....	.....	.....	173.68
San Francisco Housing Authority	2,187.99	.....	.....	.....	$5,000.00	7,187.99	7,187.99	.....	$ 5,250.00	.....	1,937.99
Islais Creek Reclamation District:											
Assessment	3,211.56	.....	.....	.....	.....	3,211.56	3,211.56	.....	.....	.....	3,211.56
General	100,782.92	.....	.....	.....	.....	100,782.92	100,782.92	.....	.....	.....	100,782.92
Interest	28,775.20	.....	.....	.....	.....	28,775.20	28,775.20	.....	.....	.....	28,775.20
Redemption	2,000.00	.....	.....	.....	.....	2,000.00	2,000.00	.....	.....	.....	2,000.00
	$ 234,876.44	.....	.....	$ 648.62	$5,000.00	$ 240,525.06	$ 240,525.06	$ 2,468.00	$ 5,250.00	.....	$ 232,807.06
Total Special and Trust Funds	$1,192,489.81	$358.782.59	$21,821,615.25	$107,653.99	$5,000.00	$23,485,541.64	$23,485,541.64	$162,566.83	$35,229.96	$1,335.82	$23,286,409.03

CITY AND COUNTY OF SAN FRANCISCO

PUBLIC SERVICE ENTERPRISES

FUNDS BALANCE SHEET

June 30, 1938

NAME OF FUND	ASSETS						LIABILITIES AND SURPLUS					
	Available Cash	Other Cash	Accounts Receivable	Unsold Bonds	Interfund Accounts	Totals	Totals	Accounts Payable	Interfund Accounts	Unappropriated Balances	Unencumbered Appropriations	Cash Reserves
Current funds:												
Municipal Railway:												
Operating	$ 552,610.14	$ 4,000.00	$ 670.10	.....	$ 9,217.25	$ 566,497.49	$ 566.497.49	$ 75,286.02	$ 39,731.53	$ 290,443.07	$ 157,036.87	$ 4,000.00
Depreciation Reserve	321,551.13	.....	.....	.....	12,266.71	333,817.84	333,817.84	2,942.04	9,267.25	339.80	321,268.75	.....
Accident Reserve	6,881.50	.....	.....	.....	.....	6,881.50	6,881.50	.....	.....	.....	6,881.50	.....
Water Department:												
Revenue	477,651.55	30,000.00	458,758.98	.....	217,032.48	1,183,443.01	1,183,443.01	82,553.29	510,959.99	379.509.47	180,420.26	30,000.00
Extension Reserve	245,165.28	.....	.....	.....	.....	245,165.28	245,165.28	89,264.90	80,401.04	1,041.58	74,457.76	.....
Depreciation Reserve	311,381.58	.....	.....	.....	72,191.15	383,572.73	383,572.73	15,873.12	66,774.61	856.86	300,068.14	.....
Hetch Hetchy:												
Power Operative	15,359.36	3,458.88	201,931.37	.....	20.00	220,769.61	220,769.61	6,852.47	63,039.39	130,510.49	16,908.38	3,458.88
Power Depreciation	110,307.40	.....	.....	.....	25,000.00	135,307.40	135,307.40	.....	17,299.00	4,270.86	113,737.54	.....
Water Supply	35,008.76	.....	629.85	.....	81,283.13	116,921.74	116,921.74	4,544.98	56,100.16	17,148.06	39,128.54	.....
Airport	9,818.49	200.00	9,872.16	.....	50.00	19,940.65	19,940.65	1,874.02	2,773.61	10,461.97	4,631.05	200.00
PWA Public Utilities Improvements	37,632.87	.....	72,191.26	.....	.....	109,824.13	109,824.13	25,104.79	75,119.68	53.32	9,546.34	.....
Bond Interest and Redemption	4,690,250.00	.....	.....	.....	45,575.64	4,735,825.64	4,735,825.64	4,683,750.00	44,000.74	8,074.90	.....	.....
	$6,813,618.06	$37,658.88	$744,053.72	.....	$462,636.36	$ 8,057,967.02	$ 8,057,967.02	$4,988,045.63	$ 965,467.00	$ 842,710.38	$1,224,085.13	$37,658.88
Capital funds:												
Water Department:												
1933 Water Distribution	$ 315,493.98	.....	$ 39.500.73	.....	.....	$ 354,994.71	$ 354,994.71	$ 126,336.23	$ 69,059.88	$ 80,430.67	$ 79,167.93	.....
Land Purchase	43,109.91	.....	.....	.....	.....	43,109.91	43,109.91	.....	.....	43,109.91	.....	.....
Hetch Hetchy:												
1932 Hetch Hetchy	137,311.41	$ 5,000.00	.....	.....	$ 34,100.00	176,411.41	176,411.41	16,572.05	10,441.11	4,598.22	139,800.03	$ 5,000.00
1933 Hetch Hetchy Dam	608,512.21	.....	168,951.63	.....	.....	777,463.84	777,463.84	354,485.88	2,947.90	.....	420,030.06	.....
Moccasin Creek Diversion Works	8,192.89	.....	34,100.00	.....	.....	42,292.89	42,292.89	.....	35,210.54	.....	7,082.35	.....
Airport	592,058.51	.....	.....	$2,200,000.00	.....	2,792,058.51	2,792,058.51	346,457.93	6,349.18	2,200,714.35	238,537.05	.....
	$1,704,678.91	$5,000.00	$242,552.36	$2,200,000.00	$ 34,100.00	$ 4,186,331.27	$ 4,186,331.27	$ 843,852.09	$ 124,008.61	$2,328,853.15	$ 884,617.42	$ 5,000.00
Special and Trust funds:												
Water Department Trust	$ 62,857.41	.....	.....	.....	.....	$ 62,857.41	$ 62,857.41	$ 61,823.76	$ 1,033.65	.....	.....	.....
Hetch Hetchy Water Supply	150.00	.....	.....	.....	.....	150.00	150.00	.....	150.00	.....	.....	.....
	$ 63,007.41	.....	.....	.....	.....	$ 63,007.41	$ 63,007.41	$ 61,823.76	$ 1,183.65	.....	.....	.....
	$8,581,304.38	$42,658.88	$986,606.08	$2,200,000.00	$496,736.36	$12,307,305.70	$12,307,305.70	$5,893,721.48	$1,090,659.26	$3,171,563.53	$2,108,702.55	$42,658.88

San Francisco Water Department

Report Upon Examination of Accounts

For the Fiscal Year Ended June 30, 1938

(Wherever italic figures appear in this Report they indicate red figures.)

WILLIAM DOLGE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

San Francisco, California

October 3, 1938.

The Honorable Harold J. Boyd, Controller, City and County of San Francisco, San Francisco, California.

Dear Sir:

In accord with your request, issued under the powers delegated to you by Ordinance No. 9.0621 passed by the Board of Supervisors on October 9, 1933, we have made an examination of the accounts of the

San Francisco Water Department

for the year ended June 30, 1938.

Complying with the terms of the engagement, our examination was limited to the verification of assets and liabilities as of June 30, 1938, and an analytical review and test check of the revenues and expenses during the fiscal year ended as of that date. In connection therewith we made a general review of the accounting methods, and examined or tested the accounting records and other supporting evidence in a manner and to the extent which we considered appropriate in view of the system of internal accounting control. Our verification of the property accounts was limited to a review of the recorded additions and retirements during the fiscal year, except for those additions arising through expenditures made from the Public Utilities Improvement Fund for which the accounts are maintained in the Controller's Office, and also except for those additions arising through expenditures made by and for the account of the San Francisco Bay Exposition. These expenditures together with the appraisal of fixed properties, are discussed hereinafter.

The accounts were found in good order.

Upon the conclusion of this attention there is presented:

Exhibit A. Balance Sheet, June 30, 1938

Exhibit B. Surplus Account
For the fiscal year ended June 30, 1938

Exhibit C. Surplus Account—Condensed
From March 3, 1930 to June 30, 1938

Exhibit D. Comparative Statement of Income and Expense
For the fiscal years ended June 30, 1938 and 1937

Schedules 1 to 6 Inc. Comparative Schedules in Support of Operating Expenses
For the Fiscal Years Ended June 30, 1938 and 1937

Operations

A condensed summary of operations for the fiscal year ended June 30, 1938, comparative with those of the preceding fiscal year, follows:

	Fiscal Years Ended June 30, 1938	1937
Sales of water	$6,863,210.74	$6,826,914.88
Operating expenses	2,817,647.14	2,682,114.34
Profit from operations	$4,045,563.60	$4,144,800.54
Other income:		
Rentals, including crop shares	$ 52,733.37	$ 50,004.30
Walnut sales	24,534.52	27,379.64
Interest earned	10,057.55	10,809.50
Miscellaneous	3,628.77	29,161.45
	$ 90,954.21	$ 117,354.89
Other expenses:		
Bond interest—1928 issue	$1,485,000.00	$1,530,000.00
Bond interest—1933 issue	193,143.91	113,637.42
Agricultural division expenses	16,037.25	15,225.90
Walnut orchard expenses	14,603.52	15,452.04
Miscellaneous	1,177.68	2,447.48
	$1,709,962.36	$1,676,762.84
Net income—Exhibit D	$2,426,555.45	$2,585,392.59

Effect of Reduction of Water Rates:

In accordance with a resolution of the Board of Supervisors adopted December 27, 1937, water rates were reduced, effective January 1, 1938, to those consumers using in excess of 33,300 cubic feet per month.

Water sales for the six months period July 1, 1937 to December 31, 1937 were subject to special rates effective January 1, 1937 which applied to all usage in excess of 33,300 cubic feet in any month by new consumers applying for service after January 1, 1937, but to that portion only of the metered delivery made in any monthly period to any consumer of one year or more standing which was in excess of the metered delivery made to such consumer in the corresponding full monthly period of the preceding year.

It has been developed by the Water Sales Division that by reason of the rate reduction effective January 1, 1938 the water sales revenue was reduced in amount of $127,153.00 and that by reason of the special rates effective January 1, 1937 the water sales revenue was reduced in amount of $42,060.00, total $169,213.00 for the fiscal year 1937-1938, based upon the presumption that water usage was not increased because of the downward revision in rates.

Notwithstanding the reduction in water rates, the net revenue (gross billing less rebates, allowances, etc.) from water sales for the fiscal year ended June 30, 1938, $6,863,210.74, as compared to the net revenue from water sales for the fiscal year ended June 30, 1937, $6,826,914.88 shows an increase in amount of $36,295.86.

Increase—Consumers and Metered Delivery:

Comparisons in respect to number of consumers' accounts and water usage as reported by the Water Sales Division follows:

	As at June 30			
Consumers—San Francisco District:	1938	1937	1936	1935
Residential	88,065	86,293	84,191	82,739
Commercial	26,506	26,228	25,911	25,686
Docks and shipping	238	238	238	238
	114,809	112,759	110,340	108,663
Consumers—Suburban District	586	574	541	483
	115,395	113,333	110,881	109,146

	Fiscal Years Ended June 30,			
Metered Delivery—Million Cubic Feet:	1938	1937	1936	1935
San Francisco district	2,178.2	2,149.6	2,009.1	1,960.5
Suburban district including free deliveries, riparian contracts	270.6	236.7	203.2	163.3
	2,448.8	2,386.3	2,212.3	2,123.8

Taxes:

Section 64 of the Charter requires that the accounts of the municipally owned utilities include estimates of the amount of taxes that would be chargeable against such property and the revenue thereof if privately owned and operated.

In lieu of San Francisco property taxes, which have neither been assessed nor estimated, the operating expenses have been charged with amounts equal to the revenues recorded for water supplied to non-paying municipal departments as follows:

Fiscal Year ended June 30, 1938	$438,822.90
" " " June 30, 1937	421,262.39

Taxes paid to other cities and counties by the San Francisco Water Department amounted to:

Fiscal Year ended June 30, 1938	$240,130.61
" " " June 30, 1937	193,057.21
Increase	$ 47,073.40

The increase in taxes paid to other cities and counties, $47,073.40, during the fiscal year 1937-1938 as compared to similar taxes paid during the fiscal year 1936-1937 resulted principally from increased tax rates.

Additional taxes which the San Francisco Water Department would have had to pay if it were privately owned and operated are:

1. Federal income tax:
   (a) Normal tax of from 8 to 15 percent of net income.
   (b) Surtax on undistributed profits of from 7 to 27 percent of undistributed adjusted net income.
2. Federal capital stock tax of $1.00 per $1,000.00 based upon declared value of capital stock.
3. Federal excess-profits tax:
   (a) Six percent of such portion of net income in excess of 10 percent and not in excess of 15 percent of declared value of capital stock; and
   (b) Twelve percent of such portion of net income in excess of 15 percent of declared value of capital stock.
4. California state franchise tax of 4 percent of net income.
5. Property taxes to City and County of San Francisco at the rate of $3.871 per $100.00 of assessed valuation for the fiscal year 1937-1938.

No computations for these taxes for which the Water Department is not liable appear in the accounts. Their inclusion would serve no useful purpose. For comparative and other statistical purposes such computations may be made from the basis of the annual reports.

Bond Interest:

The reduction of $45,000.00 in bond interest of the 1928 issue resulted from the maturing of $1,000,000.00 par value bonds on July 1, 1937.

Interest on the 1933 water distribution bonds for the fiscal year 1937-1938 amounted to $366,583.33 without application thereto of any premium received or bond expense incurred in connection with the sale of the bonds. Of this amount $173,439.42 has been capitalized as interest during construction and $193,143.91 has been charged to expense.

Income and Expense Exhibit:

The items of income and expense are set forth in greater detail in Exhibit D and supporting schedules, and are, in our opinion, substantially inclusive with the exception of extraordinary expenses in progress at June 30, 1938, $58,396.20, consisting of repairs to the Calaveras Spillway $39,493.09, and cost of plant appraisal $18,903.11, which are to be charged to expense upon completion of the work in 1938-39 in accord with the consistent practice of handling work orders by the Water Department.

The income and expenses were compared with those of the preceding fiscal year. We investigated and obtained satisfactory explanations for all substantial fluctuations.

Balance Sheet Comments.

Fixed Capital $50,870,099.55 consists of properties in service, $69,916,249.91, less provision for depreciation $19,475,709.07, net $50,440,540.84, plus construction in progress to June 30, 1938, $429,558.71. The valuation of the properties in service less the provision for depreciation, $50,440,540.84, is based upon an appraisal by the engineers of the San Francisco Water Department as of December 31, 1937 plus subsequent additions and accrued depreciation. The changes in the Fixed Capital in Service during the fiscal year ended June 30, 1938 are summarized as follows:

		Fixed Capital in Service	Provision for Depreciation
Balance June 30, 1937 per Audit Report		$59,489,445.47	$19,360,147.62
Additions 1937-1938		13,115,070.72	819,808.24
		$72,604,516.19	$20,179,955.86
Less—Retirements, etc		91,077.71	72,226.23
		$72,513,438.48	$20,107,729.63
Less—Reductions Resulting from Appraisal as of December 31, 1937	$2,578,076.70		
	19,111.87	2,597,188.57	632,020.56
Balance June 30, 1938		$69,916,249.91	$19,475,709.07

We examined the supporting documents covering the principal additions to the fixed capital accounts for the year ended June 30, 1938. The recorded retirements were in agreement with data submitted by the engineering section of the Water Department.

At June 30, 1937 Fixed Capital Under Construction was stated at $10,190,523.32 (which did not include the uncompleted contracts and commitments $862,309.96 and the advance to the Public Utilities Improvement Fund $251,945.00 reflected in the audit report at that date). This amount of Fixed Capital Under Construction at June 30, 1937 represents the principal additions to Fixed Capital in Service during the fiscal year 1937-1938.

During the fiscal year 1937-1938 Fixed Capital additions under P. W. A. Docket 1510 in amount of $12,059,741.37 were deemed completed and transferred to Fixed Capital in Service. Interest during construction, $657,132.74, was included without application of any bond premium or expense in connection with the sale of the 1933 Water Distribution bonds,—the proceeds of which were used in connection with construction under Docket 1510. The sale of bonds and premium received is discussed under Bonded Debt.

Also there was included in transfers to Fixed Capital in Service during the fiscal year 1937-1938 the projects completed by the Public Utilities Improvement Fund (P. W. A. Docket 1132) in amount of $322,223.33 (the records of which are maintained in the Controller's Office) and the reported cost of the water system on Yerba Buena Island and Treasure Island to December 31, 1937 in amount of $367,515.17.

The cost of the water system on Yerba Buena Island and Treasure Island to December 31, 1937 consists of:

Cost to December 31, 1937 as reported by Mr. W. P. Day, Vice-President and Director of Works,—San Francisco Bay Exposition	$361,324.92
Engineering costs	6,190.25
	$367,515.17

We were informed, by the office of the San Francisco Bay Exposition, that additional costs to June 30, 1938 amounted to $49,097.42. Because no verified statements of these costs have as yet been submitted to Mr. N. A. Eckart, General Manager and Chief Engineer—San Francisco Water Department, by the Exposition Company, the amount is not reflected on the books of the Water Department.

The total cost of the system to serve the Golden Gate International Exposition, in accord with an agreement dated July 20, 1936, is finally to be reflected in the accounts of the Water Department. The San Francisco Bay Exposition will receive credit for its portion of the cost of the system (including the expenditures for this purpose by the Federal Government) and this credit will be reduced by the monthly charge for water used by the Exposition.

The reduction in Fixed Capital in Service and Provision for Depreciation as shown herein are reconciled to the report of Lybrand, Ross Bros. & Montgomery dated September 1, 1938 in respect to the appraisal of Water Department properties, as follows:

Fixed Capital in Service—December 31, 1937—per Books		$66,171,511.70
do —December 31, 1937—per Appraisal		63,593,435.00
		$ 2,578,076.70
Less—Reduction in Provision for Depreciation		632,020.56
Per Books—December 31, 1937	$19,737,077.56	
Per Appraisal—December 31, 1937	19,105,057.00	
Surplus Adjustment per Lybrand, Ross Bros. & Montgomery report dated September 1, 1938		$ 1,946,056.14
Add—Adjustments placed on books by Lybrand, Ross Bros. & Montgomery in course of appraisal work,—charges to Surplus from Plant Revaluation	$25,498.70	
	19,111.87	44,610.57
Total Charge to Surplus—Exhibit B		$ 1,990,666.71

Cash on Deposit with Treasurer $3,386,085.66 is composed of the following funds:

Revenue Fund	$ 535,828.50
Special Deposit Trust Fund	66,387.20
Extension Reserve Fund	246,161.26
Depreciation Fund	314,381.58
Land Purchase Fund	43,109.91
Bond Fund—1933	315,617.21
Bond Redemption Fund—1928	1,002,000.00
Bond Interest Fund—1928	759,420.00
Bond Interest Fund—1933	103,180.00
	$3,386,085.66

These balances were confirmed directly to us by the Treasurer and were verified as of June 30, 1938 by the auditing staff of the Controller's Office. We inspected the report on such verification and ascertained that the balances in the respective funds were as recorded on the books and confirmed by the Treasurer.

Revolving Fund $30,000.00 was composed of:

Bank Balances—verified by certification obtained from the depositaries and reconcilement to the banks	$18,776.92
Water Sales Change and Petty Cash Funds—verified by count or by certifications obtained from the custodians	3,150.00
Disbursements pending reimbursement, including $475.00 for which the Controller has refused reimbursement	8,073.08
	$30,000.00

Accounts Receivable $498,259.71 consists of:

Consumers' Accounts		$510,421.88
Deemed Collectible	$455,798.04	
Deemed Uncollectible	54,623.84	
Rents Receivable		12,792.99
Deemed Collectible	5,687.87	
Deemed Uncollectible	7,105.12	
Interest Receivable and Amounts Due from Walnut Growers' Association and Miscellaneous Debtors		10,544.11
		$533,758.98
Less—Allowance for Losses		75,000.00
		$458,758.98
Add—Federal Grants Receivable		39,500.73
		$498,259.71

The consumers' accounts, amounts due for rents, etc. were reviewed as to collectibility and the amounts deemed uncollectible are so shown in the foregoing. We are of the opinion that the allowance for losses $75,000.00 is adequate.

The Federal Grant Receivable $39,500.73 was confirmed by the Regional Office Manager of the Federal Emergency Administration of Public Works as the grant allotment balance which "has not been claimed by Applicant and when claimed may be subject to deductions".

Materials and Supplies $285,000.94 consists of:

Materials and Supplies

City Division		$227,962.81
Peninsula Division	$54,805.34	
Less—Estimated Loss on Material Deemed Obsolete	17,871.99	36,933.35
Alameda Division		1,993.53
Newark—San Lorenzo Pipe Line		13,222.08
Corral Hollow Pipe Line		2,691.46
Stationery and Printing		1,515.69
Hay and Grain		682.02
		$285,000.94

Physical Inventories of materials and supplies were taken at the City Division on May 21, 1938 and at the Peninsula and Alameda Divisions on May 24, 1938. The inventories at those dates were in substantial agreement with the book records. Tests were made of purchases, issues, accounting control and procedure from the date of taking the physical inventories to June 30, 1938 in verification of the book inventories at June 30, 1938. The inventories were also discussed with the engineers as to the reasonableness thereof.

During the fiscal year 1937-1938 City Division materials in amount of $9,267.93 and Peninsula Division materials in amount of $19,857.77 were deemed obsolete. The City Division materials deemed obsolete were sold for $802.52. The Peninsula Division materials deemed obsolete were estimated to have a scrap value in amount of $1,985.78 (sold subsequent to July 1, 1938 for approximately $2,900.00).

The materials and supplies designated as Newark—San Lorenzo Pipe Line $13,222.08 and Corral Hollow Pipe Line $2,691.46 were based on engineering data submitted.

Stationery and Printing $1,515.69 represents billing paper unused, and Hay and Grain $682.02 is based upon an inventory submitted by the Agricultural Division.

Extraordinary Expenses in Progress $58,396.20 consists of cost of repairs to Calaveras Spillway in progress at June 30, 1938, $39,493.09, and expenditures to June 30, 1938 in connection with the plant appraisal $18,903.11, —in progress at June 30, 1938. Effect has been given to the appraisal in this report.

Consistent with the practice of handling work orders by the Water Department, the cost of repairs to the Calaveras Spillway to June 30, 1938 plus subsequent charges, total $43,738.60, was transferred from work in progress upon completion, August 22, 1938, and charged to extraordinary repairs as designated under account E-49 of the uniform classification of accounts for water corporations prescribed by the Railroad Commission.

The appraisal costs to June 30, 1938 together with costs incurred subsequent thereto are to be charged to expense upon completion of the property appraisal work.

Other Deferred Charges $36,882.42 consist of the unexpended balance of an advance to Hetch Hetchy Water Supply $31,252.38 plus various unbilled charges to other City Departments.

Bonded Debt $42,004,000.00. The changes in the bonded debt during the fiscal year ended June 30, 1938 are shown in the following summary:

	Outstanding June 30, 1937	Sold	Redeemed	Outstanding June 30, 1938
July 1, 1928, Issue	$34,000,000.00	.....	$ 998,000.00	$33,002,000.00*
Dec. 1, 1933, Issue	8,755,000.00	$810,000.00	563,000.00	9,002,000.00
	$42,755,000.00	$810,000.00	$1,561,000.00	$42,004,000.00

During the fiscal year under review the remaining authorized Water Distribution Bonds, December 1, 1933 Issue, were sold. The complete sale of this issue was as follows, based upon preceding audit reports:

During Fiscal Year Ended	Sold	Redeemed or Retired	Balance	Premium Received on Sale
June 30, 1934	$ 1,324,000.00	.....	$1,324,000.00	$ 28,135.00
June 30, 1935	5,329,000.00	$ 709,000.00	5,944,000.00	198,462.60
June 30, 1936	3,300,000.00	1,258,000.00	7,986,000.00	347,453.10
June 30, 1937	1,332,000.00	563,000.00	8,755,000.00	167,307.00
June 30, 1938	810,000.00	563,000.00	9,002,000.00	80,326.68
	$12,095,000.00	$3,093,000.00	$9,002,000.00	$821,684.38

*Includes $2,000.00 matured, not presented for payment.

The bond premium $821,684.38, less bond expense remaining on the books at June 30, 1937, $13,391.98, net $808,292.40 was credited to Surplus during the year under review. This method is not strictly in accord with best current accounting practice which calls for annual amortization of bond premium. Practically it makes little difference whether unamortized bond premium appears as a separate reserve or deferred credit, or is included in Surplus of the San Francisco Water Department. Bond interest during construction which has been capitalized at the nominal rate, instead of the effective rate, does however correspondingly overstate capital expenditures, The periodical five year appraisals should correct any material over-capitalization from this cause.

The July 1, 1928 Issue (Spring Valley) are due serially,—$1,000,000.00 on July 1st of each year 1938 to 1970.

The December 1, 1933 Issue are due serially,—$563,000.00 on December 1st of each year 1938 to 1952 and $557,000.00 on December 1, 1953.

Bond Interest $892,606.66. The details of this liability are shown in the following summary:

	Total	1928 Issue	1933 Issue
Matured Coupons not presented for payment	$120,100.00	$ 16,920.00	$103,180.00
Due July 1, 1938	742,500.00	742,500.00	.....
Accrued, not due	30,006.66	.....	30,006.66
	$892,606.66	$759,420.00	$133,186.66

Accounts Payable $441,677.25 consist of:

Contracts—Based on Progress Estimates		$168,544.64
Purchase Orders		47,201.41
Service Orders		8,548.97
Miscellaneous		6,042.76
Water Department Total of Current Accounts Payable		$230,337.78
Add—Balance of Commitments to agree with Controller's Records		83,689.76
Controller's Total of Water Department—Current and Deferred Liability		$314,027.54
Consumers' Deposits	$62,857.41	.....
Less—Work Orders on Custom Work Advances, per Controller	1,033.65	61,823.76
Warrants Outstanding		65,825.95
		$441,677.25

These liabilities were verified by reference to the supporting documents and by comparison in total with the records of the Controller.

Deferred Credits:

San Franeiseo Bay Exposition $356,745.56 represents the remaining eredit for Exposition water system costs to December 31, 1937 against whieh water charges, etc. are to be applied in accord with an agreement dated July 20, 1936. The stated balance at June 30, 1938 was developed as follows:

Cost of Exposition water system to December 31, 1937, as reported by Mr. W. P. Day, Vice President and Director of Works,—San Francisco Bay Exposition	$361,324.92
Add—Cash received reimbursing Water Department for expense of operating pumping plant on island	653.20
	$361,978.12
Less—Charges for water furnished	5,232.56
	$356,745.56

Additional costs to June 30, 1938, reportedly in the amount of $49,097.42, had not been submitted to Mr. Eckart and are not reflected in the foregoing.

Charges for water furnished to June 30, 1938 had been credited to Water Revenue. The amount together with subsequent charges will henceforth be credited to a reserve account pending revaluation of the Exposition water system, and thus will not be reflected as income during the fiscal year 1938-1939.

Exeess of Capital Expenditures from Public Utilities Improvement Fund, Under P.W.A. Docket 1132, Over Water Department Advanees, to be Transferred to Surplus Upon Completion, $78,567.05, was developed as follows:

Expenditures from P.U.I. Fund under Docket 1132 as reported from books maintained in Controller's office	$347,087.45
Less—Cash Advanced by Water Department	268,520.40
	$ 78,567.05

Other Deferred Credits $2,233.15 eonsists of deposits on accepted lease bids $1,199.50 and custom work advances for work as reflected by Work Orders 4504—115,116, and 117, $1,033.65.

General

We are informed by the City Attorney's Office that the amounts of contingent liabilities of the Water Department by reason of unsettled lawsuits are inconsequential.

In elosing we wish to express our appreciation to the members of the Water Department and Controller's Office accounting staffs for their courtesy and cooperation.

Faithfully yours,

WILLIAM DOLGE & COMPANY.

SAN FRANCISCO WATER DEPARTMENT

EXHIBIT A

BALANCE SHEET, June 30, 1938

ASSETS

Fixed Capital			$50,870,099.55
Properties in Service	$69,916,249.91		
Less Provision for Depreciation	19,475,709.07		
	$50,440,540.84		
Construction in Progress—Expenditures plus Progress Estimates to June 30, 1938	429,558.71		
Cash			3,416,085.66
On Deposit with Treasurer	$ 3,386,085.66		
Revolving Fund	30,000.00		
Accounts Receivable			498,259.71
Consumers' Accounts	$ 510,421.88		
Other Accounts—for Rents, etc	23,337.10		
	$ 533,758.98		
Less Allowance for Losses	75,000.00		
	$ 458,758.98		
Federal Grants Receivable	39,500.73		
Interfund Accounts			109,938.85
Public Service Enterprises	$ 84,305.05		
General City and County	25,633.80		
Deferred Charges			463,969.32
Materials and Supplies	$302,872.93		
Less Estimated Loss on Material Deemed Obsolete	17,871.99	$ 285,000.94	
Extraordinary Expenses in Progress		58,396.20	
Repairs to Calaveras Spillway	$39,493.09		
Plant Appraisal	18,903.11		
Commitments—Contra		83,689.76	
Other Deferred Charges		36,882.42	
			$55,358,353.09

LIABILITIES

Bonded Debt			$42,004,000.00
Spring Valley 4½% Bonds		$33,002,000.00	
Matured	$ 2,000.00		
Due July 1, 1938	1,000,000.00		
Due July 1, 1939 to July 1, 1970	32,000,000.00		
Water Distribution Bonds—1933—4% Due December 1, 1938 to December 1, 1953		9,002,000.00	
Bond Interest			892,606.66
Matured		$ 120,100.00	
Due July 1, 1938		742,500.00	
Due December 1, 1938 (Accrued Portion)		30,006.66	
Accounts Payable			441,677.25
Warrants Outstanding		$ 65,825.95	
Contracts, Purchase Order Creditors, etc		314,027.54	
For Materials and Services Received	$230,337.78		
Commitments—Contra	83,689.76		
Consumers' Deposits	$ 62,857.41		
Less Work Orders per Controller	1,033.65	61,823.76	
Interfund Accounts			525,369.04
Public Service Enterprises		$ 200.10	
General City and County		525,168.94	
Compensation Insurance Reserve			15,000.00
Deferred Credits			437,545.76
San Francisco Bay Exposition, remaining credit for Exposition Water System costs to December 31, 1937 to be applied against Water Charges, etc		$ 356,745.56	
Excess of Capital Expenditures from P.U.I. Fund, under P.W.A. Docket 1132, over Water Department Advances, to be transferred to Surplus upon completion thereof		78,567.05	
Other Deferred Credits		2,233.15	
			$44,316,198.71
Surplus—Exhibit B			11,042,154.38
			$55,358,353.09

SAN FRANCISCO WATER DEPARTMENT

EXHIBIT B

SURPLUS ACCOUNT

For the Fiscal Year Ended June 30, 1938

Balance June 30, 1937 per Audit Report		$11,937,021.93
Add		3,391,304.47
Net Income—Exhibit D	$2,426,555.45	
Bond Premium, Water Distribution Bonds—1933		
Net	808,292.40	
Premium $821,684.38		
Less Bond Expense 13,391.98		
Portion of pipe and other material from Corral Hollow Pipe Line, Hetch Hetchy Water Supply, used in Palo Alto Pipe Line, valued in accord with agreement with City of Palo Alto	86,566.56	
Reduce Reserve for Uncollectible Accounts	67,571.72	
Other Miscellaneous Surplus Additions and Deductions—Net	2,318.34	
		$15,328,326.40
Deduct—Contributions		2,295,505.31
To General Fund, of which $447,852.10 was Unpaid as at June 30, 1938	$1,734,330.10	
To Hetch Hetchy Water Supply	561,175.21	
		$13,032,821.09
Deduct:		
Excess of Adjusted Book Value of Plant over Appraisal as of December 31, 1937		1,990,666.71
Balance June 30, 1938		$11,042,154.38

SAN FRANCISCO WATER DEPARTMENT

EXHIBIT C

SURPLUS ACCOUNT—CONDENSED

From March 3, 1930 to June 30, 1938

Initial Surplus—March 3, 1930		$ 1,924,735.57
Excess Earnings of Spring Valley Water Company from 1922 to 1930, applied as a reduction of the purchase price, in accordance with Railroad Commission of the State of California	$ 4,152,652.24	
Valuation placed upon Municipal Water Works	100,000.00	
	$ 4,252,652.24	
Less Additional Allowance for Depreciation from March 1, 1920 to March 3, 1930	2,327,916.67	
Additions		20,632,707.95
Net Profit March 3, 1930 to June 30, 1938, including miscellaneous year to year Surplus Adjustments	$17,149,034.65	
Grants earned on Federal Public Works Projects	2,245,000.00	
Bond Premium less Bond Expense—Water Distribution Bonds 1933	808,292.40	
Salvage value of Newark-San Lorenzo pipe line transferred from Hetch Hetchy Water Supply Project	323,723.34	
Valuation placed upon pipe and other material from Hetch Hetchy Water Supply Corral Hollow Pipe Line used in Palo Alto Pipe Line	86,566.56	
Labor donated by Federal Government for construction of roof for Crystal Springs Aqueduct	20,091.00	
		$22,557,443.52
Deduct		11,515,289.14
Contributions to General Fund, of which $447,852.10 was unpaid as at June 30, 1938	$ 7,755,142.10	
Contribution to Hetch Hetchy Water Supply and Power Project	1,626,359.26	
Lands Contributed to City and County of San Francisco and to Joint Highway Commission for Streets and Boulevards	143,121.07	
Excess of Adjusted Book Value of Plant over Appraisal as of Dec. 31, 1937	1,990,666.71	
Balance June 30, 1938		$11,042,154.38

SAN FRANCISCO WATER DEPARTMENT

EXHIBIT D

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

For the Fiscal Years Ended June 30, 1938 and June 30, 1937

	Year Ended June 30 1938	1937
SALE OF WATER:		
San Francisco	$5,986,952.95	$5,982,525.85
Outside San Francisco	375,290.69	363,134.04
Municipal Departments—Actual	62,144.20	59,992.60
Municipal Departments—Comparison	438,822.90	421,262.39
	$6,863,210.74	$6,826,914.88
OPERATING EXPENSES:		
Source of Water Supply —Schedule 1	$ 179,522.10	$ 153,614.10
Pumping " 2	133,203.81	161,488.62
Purification " 3	72,782.32	58,791.70
Transmission and Distribution " 4	309,662.98	316,638.62
Commercial Expenses " 5	343,566.83	335,738.48
Administrative and General " 6	514,277.96	456,972.47
Provision for Doubtful Accounts	6,000.00	31,841.96
Municipal Taxes—Comparison	438,822.90	421,262.39
	$1,997,838.90	$1,936,348.34
Provision for Depreciation	819,808.24	745,766.00
	$2,817,647.14	$2,682,114.34
PROFIT FROM OPERATIONS	$4,045,563.60	$4,144,800.54
OTHER INCOME:		
Rentals, Including Crop Shares	$ 52,733.37	$ 50,004.30
Sale of Walnuts	24,534.52	27,379.64
Interest Earned	10,057.55	10,809.50
Miscellaneous	3,628.77	29,161.45
	$ 90,954.21	$ 117,354.89
OTHER EXPENSE:		
Bond Interest—1928 Issue	$1,485,000.00	$1,530,000.00
Bond Interest—1933 Issue	193,143.91	113,637.42
Agricultural Division	16,037.25	15,225.90
Walnut Orchard Expenses	14,603.52	15,452.04
Miscellaneous	1,177.68	2,447.48
	$1,709,962.36	$1,676,762.84
NET INCOME	$2,426,555.45	$2,585,392.59

SAN FRANCISCO WATER DEPARTMENT

COMPARATIVE SCHEDULES IN SUPPORT OF OPERATING EXPENSES

For the Fiscal Years Ended June 30, 1938 and June 30, 1937

SCHEDULE 1—SOURCE OF WATER SUPPLY EXPENSES:	Year Ended June 30 1938	1937
Superintendence	$ 21,712.25	$ 22,314.72
Operating Labor	28,963.54	37,285.65
Operating Supplies and Expense	15,787.89	16,718.84
Repairs—Buildings and Fixtures	94,206.21	60,245.14
Repairs—Surface Facilities	18,503.87	16,864.79
Repairs—Ground Facilities		60.81
Repairs—Miscellaneous Equipment	348.34	124.15
	$179,522.10	$153,614.10

SCHEDULE 2—PUMPING SYSTEM:		
Labor Pumping	$ 40,039.01	$ 38,507.09
Labor Miscellaneous	3,606.43	4,418.17
Fuel for Steam	10,689.39	11,005.18
Power Purchased	64,317.69	90,239.40
Lubricants	49.92	57.93
Miscellaneous Supplies and Expense	2,158.51	2,598.62
Repairs—Primary Pumping Equipment	3,973.81	6,784.52
Repairs—Boilers and Equipment	1,311.31	148.57
Repairs—Miscellaneous Equipment	1,085.60	1,046.90
Other Repairs and Gardening	5,972.14	6,682.24
	$133,203.81	$161,488.62

SCHEDULE 3—PURIFICATION EXPENSES:		
Labor (and superintendence)	$ 28,362.87	$ 22,063.69
Supplies and Expense	40,889.24	31,410.68
Repairs—Plants and Structures	3,199.01	5,120.96
Repairs—Roads and Trails	331.20	196.37
	$ 72,782.32	$ 58,791.70

SCHEDULE 4—TRANSMISSION AND DISTRIBUTION EXPENSE:		
Superintendence	$ 33,037.83	$ 30,908.88
Patrolling Storage Facilities	11,903.86	11,927.23
Meters and Fittings Department	63,241.64	83,791.48
Street Department	15,371.52	15,488.13
Consumers' Premises Expense	12,964.92	12,799.35
Miscellaneous Supplies and Expense	7,475.05	7,373.60
Repairs—Transmission Mains and Canals	18,467.93	25,037.72
Repairs—Reservoirs, Tanks and Standpipes	5,847.75	2,737.93
Repairs—Distribution Mains and Canals	55,428.02	56,239.04
Repairs—Service	71,369.12	63,026.12
Repairs—Distribution Buildings	13,526.27	6,278.61
Repairs—Distribution Equipment	1,029.07	1,030.53
	$309,662.98	$316,638.62

SAN FRANCISCO WATER DEPARTMENT

COMPARATIVE SCHEDULES (Continued)

SCHEDULE 5—COMMERCIAL EXPENSES:	Year Ended June 30 1938	1937
Collections	$113,001.22	$110,112.43
Reading Meters	33,476.94	33,621.49
Bookkeeping	99,242.59	99,556.36
General	33,097.28	31,652.69
Inspection and Service	50,465.42	46,568.49
Shipping	14,283.38	14,227.02
	$343,566.83	$335,738.48

SCHEDULE 6—ADMINISTRATIVE AND GENERAL EXPENSES:		
Salaries—General Officers	$ 18,399.84	$ 18,399.99
Salaries—General Office Clerks	40,628.25	36,512.70
Miscellaneous Supplies and Expense	5,387.76	6,082.57
Injuries and Damages	1,129.46	3,061.80
Relief Department Expense	39,860.19	38,843.82
Mason Street Building Expense	21,568.76	22,392.70
Telephone Service	15,294.47	15,469.80
Guest Cottages and Rest Room	2,245.17	2,010.14
General Engineering	33,689.62	34,661.99
Hydrography	2,104.77	2,669.32
Miscellaneous	4,270.30	5,064.34
Compensation Insurance	4,683.83	4,485.16
Other Insurance	5,282.72	5,659.01
Repairs—Mason Street Building	11,011.56	6,143.47
Repairs—General Structures		3,857.97
Repairs—Telephone System	8,774.90	5,355.97
Professional Services	7,293.75	5,975.00
Public Utility Commission Expense	52,522.00	47,269.51
Property Taxes (Outside of San Francisco)	240,130.61	193,057.21
	$514,277.96	$456,972.47

Report on Examination of Accounts

Hetch Hetchy Water Supply and Power Project

For the Fiscal Year Ended June 30, 1938

(Wherever italic figures appear in this Report they indicate red figures.)

F. W. Lafrentz & Co.
Bullock, Kellogg & Mitchell
CERTIFIED PUBLIC ACCOUNTANTS
605 Mills Building
San Francisco, Calif.

October 10, 1938.

The Honorable Harold J. Boyd, Controller, City and County of San Francisco, San Francisco, California.

Sir: In consonance with your instructions we have made an examination of the books and accounts of the Hetch Hetchy Water Supply and Power Project for the fiscal year ended June 30, 1938, and submit herewith our report together with the following exhibits and schedules:

Exhibit "A"—Balance Sheet as at June 30, 1938.

Exhibit "B"—Operations of the Hetch Hetchy Water Supply Division for the Fiscal Year Ended June 30, 1938.

Exhibit "C"—Operations of the Hetch Hetchy Power Division for the Fiscal Year Ended June 30, 1938.

Schedule #1—Power Division Production Expenses.

Schedule #2—Power Division Transmission Expenses.

Schedule #3—Power Division Administrative and General Expenses.

SCOPE OF EXAMINATION

The balance sheet submitted with this report has been prepared on the basis outlined in the following comments:

Our examination was limited, in accordance with the terms of the engagement, to a review and verification of asset and liability accounts and an analytical review and test check of operating accounts. In connection with our examination we made a general review of the accounting routine and examined or tested accounting records of the project and supporting data to an extent we considered adequate in view of the existing internal check. Our review of property accounts was confined to the transactions of the fiscal year ended June 30, 1938.

COMPLETION OF HETCH HETCHY PROJECT

Inasmuch as Section 122 of the Charter of the City and County of San Francisco provides for the merger of the Hetch Hetchy project, upon completion thereof, with the San Francisco Water Department and in view of the fact that beginning with October, 1934, the Water Department has been receiving Hetch Hetchy water to an extent limited by the capacity of the present pipe line, we requested an opinion from the City Attorney as to status. In his reply, based upon certain facts respecting construction facilities, the City Attorney stated that, in his opinion, the project has not been completed and can not be merged with the San Francisco Water Department.

OPERATIONS OF THE WATER SUPPLY DIVISION

Operating income is not reflected in this division inasmuch as the water supply operations are financed by contributions from the San Francisco Water Department and from taxes of the City and County of San Francisco. Further reimbursements are made by the Hetch Hetchy power division. Contributions received have been credited to surplus and reimbursements from the power division have been credited to operating accounts, as they represent the estimated portion of water supply operations applicable to the power division.

No direct charge is made for water supplied to the San Francisco Water Department.

An arbitrary division of construction costs was made on June 30, 1926, between the water and power divisions. It will be observed that provision has not been made for depreciation of such costs allocated to the water supply division. In this regard reference is made later in this report to an appraisal of Hetch Hetchy properties, now in progress, for the purpose of reallocating such costs between the water and power divisions and establishing proper depreciation rates.

Bond interest charged to the water supply division includes interest on bonds allocated to the water division on the basis of an arbitrary apportionment made as of June 30, 1926. Any change in this allocation would, of course, affect the result shown from operations.

OPERATIONS OF THE POWER DIVISION

With the exception of certain power assets, aggregating in value approximately $7,000,000.00, provision has not been made for depreciating fixed capital allocated to the power division. This condition will be corrected upon completion of the property appraisal now in progress.

Bond interest charged to the power operations is based on the 1926 arbitrary allocation of bonded indebtedness referred to in the comments relating to the water supply division.

Section 64 of the City Charter provides that each utility estimate the amount of taxes that would be charged against it if the utility were privately owned and operated. As the Hetch Hetchy properties are located outside of the City and County of San Francisco, property taxes were assessed by counties and irrigation districts and paid by the project. In addition, the following potential tax liabilities would have affected the net income of the power division if it were privately owned and operated:

1. Federal income tax: normal tax of from 8 to 15 per cent of net income.
2. Federal income tax: surtax on undistributed profits of from 7 to 27 per cent of undistributed adjusted net income.
3. Federal capital stock tax: $1.00 per $1,000.00 of declared value of capital stock.
4. Federal excess profits tax: 6 per cent of such portion of net income in excess of 10 per cent and not in excess of 15 per cent of declared value of capital stock; 12 per cent of such portion of net income in excess of 15 per cent of declared value of capital stock.
5. California state franchise tax: 4 per cent of net income.
6. Federal and state unemployment insurance and Federal old age benefit payroll taxes. Insofar as these taxes are concerned, the amount paid by the utility for retirement benefits of its employees is greater than the taxes that would be assessable against a private utility under the Federal Social Security and State Unemployment Insurance acts.

CONSOLIDATED OPERATIONS

The following is a summary consolidation of the water supply and power division operations:

	Combined	Power	Water Supply
Revenues	$2,398,941.43	$2,396,429.50	$ 2,511.93
Expenses:			
Production and plant	229,133.04	173,095.55	56,037.49
Transmission	31,564.58	31,564.58	.....
Administrative and general	114,176.93	55,808.17	58,368.76
	$ 374,874.55	$ 260,468.30	$ 114,406.25
Net after expenses	$2,024,066.88	$2,135,961.20	*$ 111,894.32*
Deduct:			
Bond interest	3,031,502.49	622,161.00	2,409,341.49
Depreciation	175,000.00	175,000.00	None
	$3,206,502.49	$ 797,161.00	$2,409,341.49
Net to surplus	*$1,182,435.61*	$1,338,800.20	*$2,521,235.81*

COMMENTS ON THE BALANCE SHEET

Fixed Capital—$106,254,117.27

The balance sheet submitted with this report reflects the consolidated total of water supply and power assets. Section 9 of the Raker Act (the Federal act governing the Hetch Hetchy project) provides that the cost of water and power sold under certain conditions be computed in accordance with such currently accepted cost accounting practice as may be determined by the Secretary of the Interior. Fixed capital has been allocated on the books to the water and power divisions as follows:

From 1909-10 funds:

	Total	Water	Power
Specific allocations	$ 13,949,370.59	$ 6,440,815.63	$ 7,508,554.96
Allocated on 50-50 basis	28,736,560.57	14,368,280.28	14,368,280.29
Total (water 49%; power 51%)	$ 42,685,931.16	$20,809,095.91	$21,876,835 25
Interest, bond discount, and expenses allocated	6,400,997.14	2,901,308.54	3,499,688.60
	$ 49,086,928.30	$23,710,404.45	$25,376,523.85
From 1925 funds	1,604,877.08	1,604,877.08	.....
From power revenues	11,823.45	.....	11,823.45
Balance, June 30, 1926	$ 50,703,628.83	$25,315,281.53	$25,388,347.30
Net additions to June 30, 1937:			
To classes of property which were allocated as of June 30, 1926, on a 50-50 basis, approximately	$ 2,160,000.00	$ 1,720,000.00	$ 440,000.00
To other classes of property	53,935,391.43	53,622,025.94	313,365.49
Total	$ 56,095,391.43	$55,342,025.94	$ 753,365.49
Balance, June 30, 1937	$106,799,020.26	$80,657,307.47	$26,141,712.79
Net additions during year ended June 30, 1938:			
Additions	$ 982,012.35	$ 948,154.51	$ 33,857.84
Retirements	1,526,915.34	1,504,830.98	22,084.36
Net additions	*$ 544,902.99*	*$ 556,676.47*	$ 11,773.48
Balance, June 30, 1938	$106,254,117.27	$80,100,631.00	$26,153,486.27
Consisting of:			
Fixed capital in service	$101,705,933.85	$75,552,447.58	$26,153,486.27
Fixed capital under construction	4,548,183.42	4,548,183.42	.....
Total	$106,254,117.27	$80,100,631.00	$26,153,486.27

The foregoing allocation is arbitrary and upon completion of the property appraisal now in progress, the cost of the project will be reallocated between the water supply and power divisions so that proper accounting may be established within the meaning of the Raker Act.

We reviewed the entries in the property accounts during the current year and the differences noted were minor.

RESERVE FOR DEPRECIATION—$1,782,613.31

The depreciation reserve applies exclusively to power division assets and, particularly, to power houses and equipment, transmission lines, transformers, switches, and other such equipment. Following is an analysis of the reserve setting forth the entries made during the current year:

Balance, June 30, 1937		$1,627,199.29
Add: Provision for the year		175,000.00
		$1,802,199.29
Deduct:		
Plant retirements	$22,084.36	
Less: Salvage values	2,498.38	19,585.98
Total		$1,782,613.31

A budget appropriation of $46,682.00 for reconstruction and replacement expenditures of the power division was made during the year under review and this amount was transferred from the operating fund to the depreciation fund. The balance in the latter fund on June 30, 1938, was composed of the following:

Cash on deposit with Treasurer	$110,307.40
Amount due from Hetch Hetchy Operating Fund	25,000.00
Amount due from Hetch Hetchy Dam Fund	141,688.49
Total	$276,995.89

Section 128-1 of the Charter requires the Public Utilities Commission to create and maintain a depreciation reserve fund for each utility in order to have available funds for reconstruction and replacement of assets.

CASH

On Deposit with Treasurer—$4,088,173.42:

The following fund balances are included in this amount as reflected by the records of the Treasurer of the City and County of San Francisco:

	Total	Water Supply	Power
Construction Fund	$ 760,054.13	$ 760,054.13	.....
Bond redemption funds	1,623,000.00	1,623,000.00	.....
Bond interest funds	1,519,675.00	1,519,675.00	.....
Operating fund	74,986.89	54,931.81	$ 20,055.08
Depreciation fund	110,307.40	.....	110,307.40
Trust fund	150.00	150.00	.....
Total per Exhibit "A"	$4,088,173.42	$3,957,810.94	$130,362.48

These balances were verified as of June 30, 1938, by the auditing staff of the Controller's office. We inspected the report of such verification and ascertained that the balances in the respective funds were as above stated.

Other Cash—$8,458.88

The following items are included in this amount:

	Total	Water Supply	Power
Revolving funds	$8,000.00	$5,000.00	$3,000.00
Cash in transit	458.88	.....	458.88
Total	$8,458.88	$5,000.00	$3,458.88

Revolving fund cash on hand was counted and deposits in banks were verified by reconciliation of bank statements and confirmations obtained from the depositories.

The in transit item, due from the Treasurer of the City and County of San Francisco, was received on July 7, 1938.

ACCOUNTS RECEIVABLE

Federal Grants Receivable—$203,051.63

This balance represents earned but uncollected balances of Federal Public Works Administration grants in connection with construction as follows:

Hetch Hetchy Dam	$168,951.63
Moccasin Diversion Works	34,100.00
Total	$203,051.63

Requisitions for payment of these amounts have been filed with the Regional Director of the Public Works Administration, however, final determination of the amounts is dependent upon audit by the Administration's representative.

Accounts receivable, Other—$202,561.22

The following receivables are included in this group:

Pacific Gas & Electric Company	$200,105.37
Miscellaneous accounts for electric energy and water	2,455.85
Total	$202,561.22

The Pacific Gas & Electric Company item represents charges for electric energy supplied during the month of June, 1938.

Interfund Accounts, Public Service Enterprises—$3,297.15

This amount has been billed to the San Francisco Airport for engineering services rendered.

DEFERRED CHARGES

Estimated Salvage Value, Corral Hollow Pipe Line—$273,850.00

The Corral Hollow Pipe Line is an emergency line which was built pending completion of Hetch Hetchy tunnels. Inasmuch as the tunnels are now in use the pipe line is being dismantled. In order to reflect the retirement of the line in the books of account, the following entry was made:

	Charge	Credit
Salvage value	$ 273,850.00	
Surplus	1,226,150.00	
Fixed capital in service		$1,500,000.00

Amounts stated above represent estimated values both as to salvage value and construction cost. Upon completion of the property appraisal now in progress, the entry will be adjusted to the construction cost allocated to the line.

Materials and Supplies—$18,660.69

The book value of materials and supplies on hand June 30, 1938, is represented by this balance. Physical inventories were taken by city employees on May 31, 1938, and the ledger accounts and stock record cards were adjusted accordingly. We made a test check by actual count of a number of selected items and the quantities on hand agreed with the amounts indicated on the stock record cards.

Prepaid Rent and Other—$49,972.69

The following items are grouped under this caption:

Prepaid rent (one-half of $20,000.00 paid to the United States Government for water rights during the calendar year 1938)	$10,000.00
Work in progress	18,982.05
Extension of electric energy line to serve Tesla Portal chlorinating station	3,863,25
Deferred in connection with property appraisal now in progress	5,000.00
Cost of preliminary investigation and surveys incident to:	
Proposed extension of transmission line from Newark to San Francisco	2,210.96
Proposed construction of power plant at Red Mountain Bar	554.52
Distribution of power by the City and County of San Francisco	9,354.18
Miscellaneous	7.73
Total	$49,972.69

BONDED DEBT—$68,073,000.00

Changes during the year in the outstanding bonded debt are reflected hereunder:

Issue	Outstanding June 30, 1937	Redeemed During Year	Outstanding June 30, 1938
July 1, 1910, 4½%	$28,010,000.00	$ 987,000.00	$27,023,000.00
January 1, 1925, 5%	8,000,000.00	250,000.00	7,750,000.00
July 1, 1928, 4½%	24,000,000.00	.....	24,000,000.00
June 1, 1932:			
5¾%	4,325,000.00	.....	4,325,000.00
5%	1,234,000.00	.....	1,234,000.00
4½%	143,000.00	.....	143,000.00
4%	280,000.00	.....	280,000.00
3%	194,000.00	.....	194,000.00
2¾%	324,000.00	.....	324,000.00
December 1, 1933, 4%	2,975,000.00	175,000.00	2,800,000.00
Total	$69,485,000.00	$1,412,000.00	$68,073,000.00

Canceled bonds and interest coupons supporting redemptions were not examined by us as this function is performed by internal check of the Controller's staff.

The July 1, 1910, issue of bonds outstanding as of June 30, 1926, aggregating $39,000,000.00, was allocated to the water supply and power divisions on the basis shown below, in line with the allocation of construction expenditures from the 1909-10 funds to that date.

Water division	48.79%	$19,029,000.00
Power division	51.21	19,971,000.00
Total	100.00%	$39,000,000.00

Hereunder is an analysis of the July 1, 1910, bond account from June 30, 1926, to June 30, 1938:

	Total	Water	Power
Outstanding June 30, 1926	$39,000,000.00	$19,029,000.00	$19,971,000.00
Deduct redemptions at the rate of $1,000,000.00 per year	12,000,000.00	5,854,800.00	6,145,200.00
Remainder	$27,000,000.00	$13,174,200.00	$13,825,800.00
Add bonds not presented for payment	23,000.00	23,000.00	.....
Total	$27,023,000.00	$13,197,200.00	$13,825,800.00
Bonds maturing July 1, 1938, liability transferred to the Water division since cash for redemption was transferred to that division by the Power division	.....	512,100.00	*512,100.00*
Outstanding June 30, 1938	$27,023,000.00	$13,709,300.00	$13,313,700.00

Inasmuch as a reallocation of construction costs between the water supply and power divisions will be made upon completion of the property appraisal now in progress, consideration will also have to be given to a redistribution of the 1910 bond fund indebtedness between the two divisions.

Set forth below is a summary of the bond issues authorized in connection with the Hetch Hetchy Water Supply and Power Project to June 30, 1938.

Issue	Authorized and Sold	Redeemed	Outstanding June 30, 1938
January 1, 1909	$ 600,000.00	$ 600,000.00	$ None
July 1, 1910	45,000,000.00	17,977,000.00	27,023,000.00
January 1, 1925	10,000,000.00	2,250,000.00	7,750,000.00
July 1, 1928	24,000,000.00	.....	24,000,000.00
June 1, 1932	6,500,000.00	.....	6,500,000.00
December 1, 1933	3,500,000.00	700,000.00	2,800,000.00
Total	$89,600,000.00	$21,527,000.00	$68,073,000.00

BOND INTEREST—$1,557,571.04

An analysis of this amount, by bond issues, is set forth hereunder:

Issue	Total	Due July 1, 1938	Matured Not Paid	Accrued Not Due
July 1, 1910, 4½%.....	$ 634,680.00	$ 607,500.00	$ 27,180.00	$.....
January 1, 1925, 5%.....	198,450.00	193,750.00	4,700.00	.....
July 1, 1928, 4½%.....	557,055.00	540,000.00	17,055.00	.....
June 1, 1932:				
2¾%	3,382.50	.....	2,640.00	742.50
3%	1,430.00	.....	945.00	485.00
4%	2,713.33	.....	1,780.00	933.33
4½%	1,211.25	.....	675.00	536.25
5%	15,741 67	.....	10,600.00	5,141.67
5¾%	86,273.95	.....	65,550.00	20,723.95
December 1, 1933, 4%.....	56,633.34	.....	47,300.00	9,333.34
Total.....	$1,557,571.04	$1,341,250.00	$178,425.00	$37,896.04

CONTRACTS, PURCHASE ORDERS, AND OTHER COMMITMENTS—$382,455.38

This amount is in agreement with the Controller's records and includes the following liabilities:

	Total	Water Supply	Power
Contracts	$367,903.80	$367,903.80	.....
Purchase orders	12,208.03	5,647.19	$6,560.84
Miscellaneous	2,343.55	2.051.92	291.63
Total	$382,455.38	$375.602.91	$6,852.47

WARRANTS OUTSTANDING—$30,656.39

Warrants drawn but not yet presented for payment are represented under this caption. The amount is in agreement with the Controller's records.

Funds on Which Drawn	Amount
Water supply:	
Construction	$ 6,037.62
Operating	19,923.05
Power:	
Operating	4,695.72
Total	$30,656.39

INTERFUND ACCOUNTS, PUBLIC SERVICE ENTERPRISES—$11,869.37

This balance is payable to the San Francisco Water Department and represents the unexpended balance of the operating advance for the current year.

DEFERRED CREDITS

Advance from San Francisco Water Department for Work Not Yet Performed—$31,252.38

The operating advance received from the San Francisco Water Department is charged or encumbered for all work performed for that department during each year. The amount, $31,252.38, represents encumbrances against the advance for work not yet performed as of June 30, 1938.

Operating Reserves—$14,654.23

The following is an analysis of this amount:

Vacations	$ 5,772.63
Sick leave	1,494.44
Compensation insurance	5,365.83
Retirement system	2,021.33
Total	$14,654.23

SURPLUS—$39,236,854.81

An analysis of surplus for the period under review follows:

Balance, June 30, 1937		$38,548,072.46
Add:		
Contributions from taxes for bond interest and redemption	$2,574,232.59	
Contributions from San Francisco Water Department:		
For bond interest and redemption	447,025.00	
For current expenses	114,150.21	
Grants earned on Federal public works projects	232,558.22	
Bond premium, 1933 bonds	137,438.55	
Net income from operations of the Power division (Exhibit "C")	1,338,800.20	4,844,204.77
Total		$43,392,277.23
Deduct:		
Net cost of operations of the Water Supply division (Exhibit "B")	$2,521,235.81	
Retirement of Corral Hollow Pipe Line	1,226,150.00	
Write-off of property valuation expense	392,006.43	
Plant retirements, less salvage	5,050.13	
Prior year adjustments, net	10,980.05	4,155,422.42
Balance, June 30, 1938		$39,236,854.81

During the year 1935 bonds in the amount of $3,325,000.00 were sold at a premium of $197,338.75. The funds from the sale of these bonds were used in connection with the raising of O'Shaughnessy Dam. Interest accrued on the bonds during construction work was capitalized and bond premium in the amount of $59,900.20 applicable to the construction period was credited to construction costs. The remainder of the bond premium, $137,438.55, was credited to surplus.

Property valuation expense, $392,006.43, deducted from surplus, represents expenditures incurred prior to June 30, 1929, in connection with the proposed purchase of the distribution systems of the Pacific Gas & Electric Company and the Great Western Power Company. This item had previously been carried as a deferred charge.

CONTINGENT LIABILITIES

We requested information from the City Attorney as to contingent liabilities existing by reason of pending litigation and were informed that approximately sixty-five riparian lawsuits are pending in Stanislaus County, many claims are on file for the drying up of springs along the pipe line right of way, and a number of damage suits are pending for various types of torts. Also, a patent suit is pending in connection with the raising of the O'Shaughnessy Dam. In connection with this suit the specifications and contract are fully covered by bond to protect the City and County of San Francisco against such a suit and, in addition, the Controller has withheld the payment of $20,000.00 of the contract price, pending settlement of the suit. The contractor to whom the contract was let for the raising of the dam has made claims totaling $472,794.81 in excess of the contract price. A contingent liability exists in connection with demands made by the State of California for sales taxes. The liability involved in these suits and claims will remain indefinite as to amount until they have been adjudicated.

Respectfully submitted,

F. W. LAFRENTZ & CO.,
BULLOCK, KELLOGG & MITCHELL,
Certified Public Accountants.

EXHIBIT "A"

HETCH HETCHY WATER SUPPLY AND POWER PROJECT
BALANCE SHEET—AS AT JUNE 30, 1938

ASSETS

PROPERTIES:		
Fixed capital in service	$101,705,933.85	
Fixed capital under construction	4,548,183.42	
Total	$106,254,117.27	
Less: Reserves for depreciation	1,782,613.31	
Depreciated Value		$104,471,503.96
CASH:		
On deposit with Treasurer	$ 4,088,173.42	
Other	8,458.88	
Total Cash		4,096,632.30
ACCOUNTS RECEIVABLE:		
Federal grants receivable	$ 203,051.63	
Other	202,561.22	
Total Accounts Receivable		405,612.85
INTERFUND ACCOUNTS:		
Public Service enterprises	$ 3,297.15	
General city and county	140.62	
Total Interfund Accounts		3,437.77
DEFERRED CHARGES:		
Incomplete contracts and other commitments	$ 76,072.03	
Estimated salvage value—Corral Hollow Pipe Line	273,850.00	
Materials and supplies	18,660.69	
Prepaid Rent and Other	49,972.69	
Total Deferred Charges		418,555.41
TOTAL		$109,395,742.29

LIABILITIES

BONDED DEBT:		
Due, July 1, 1938	$ 1,600,000.00	
Due, December 1, 1938, to July 1, 1977	66,450,000.00	
Matured bonds not presented for payment	23,000.00	
Total Bonded Debt		$ 68,073,000.00
BOND INTEREST:		
Due, July 1, 1938	$ 1,341,250.00	
Matured coupons not presented for payment	178,425.00	
Accrued, not due	37,896.04	
Total Bond Interest		1,557,571.04
ACCOUNTS PAYABLE:		
Contracts, purchase orders and other commitments	$ 382,455.38	
Warrants outstanding	30,656.39	
Total Accounts Payable		413,111.77
INTERFUND ACCOUNTS:		
Public Service enterprises	$ 11,869.37	
General city and county	57,207.40	
Total Interfund Accounts		69,076.77
DEFERRED CREDITS:		
Advance from San Francisco Water Department for work not yet performed	$ 31,252.38	
Operating reserves	14,654.23	
Other credits	221.29	
Total Deferred Credits		46,127.90
SURPLUS (see text)		39,236,854.81
TOTAL		$109,395,742.29

Note: Provision has not been made for depreciation of the Hetch Hetchy Water Supply fixed capital in service, the cost of which aggregated $75,552,447.58 on June 30, 1938. At the time of this examination an appraisal of such properties was in progress for the purpose of determining the present depreciated value and establishing proper rates for future depreciation.

EXHIBIT "B"

HETCH HETCHY WATER SUPPLY AND POWER PROJECT
WATER SUPPLY DIVISION

STATEMENT OF OPERATIONS
For the Fiscal Year Ended June 30, 1938

EXPENSES:		
Plant Operating Expenses:		
Salaries and wages	$ 6,704.43	
Contributions to retirement system	391.75	
Traveling	58.51	
Operating supplies	614.67	
Rent	10,000.00	
Miscellaneous	635.86	
Total		$ 18,405.22
Repairs and Maintenance:		
Buildings and structures	$ 7,148.73	
Reservoirs, dams, and intakes	1,147.25	
Waterways	215.33	
Pipelines	5,994.70	
Aqueduct tunnels	6,693.69	
Roads and trails	9,973.38	
Miscellaneous equipment	1,766.69	
Hydrography	3,558.43	
Miscellaneous	2,069.05	
	$38,567.25	
Less: Over-distribution of auto transportation equipment expense to work in progress and repairs and maintenance	934.98	
Total		37,632.27
Administrative and General:		
Salaries and wages	$13,626.28	
Contributions to retirement system	390.90	
Services of other departments	8,342.54	
Professional services	2,682.71	
Stationery, office supplies, and postage	403.19	
Telephone and telegraph	576.21	
Traveling	678.94	
Injuries and damages	46.11	
Allowance for sick leave	500.00	
Auto insurance	591.39	
Water rights and damage claims	24,004.89	
Legal expenses — water rights and damage claims	2,513.38	
County and irrigation district taxes	3,919.08	
Miscellaneous	93.14	
Total		58,368.76
Bond Interest		$2,409,341.49
TOTAL EXPENSES (forward)		$2,523,747.74

EXHIBIT "B" (continued)

HETCH HETCHY WATER SUPPLY AND POWER PROJECT
WATER SUPPLY DIVISION

STATEMENT OF OPERATIONS
For the Fiscal Year Ended June 30, 1938

TOTAL EXPENSES (forwarded)		$2,523,747.74
INCOME:		
Rents Received	$ 2,507.83	
Interest Earned	4.10	
TOTAL INCOME		2,511.93
NET COST OF OPERATIONS		$2,521,235.81

Note:

This statement does not include depreciation of fixed capital in service, the cost of which aggregated $75,552,447.58 on June 30, 1938. Proper rates for depreciation, however, were being established at the time of our examination and will be available for future reports.

The foregoing figures do not include any revenue for water supplied by the Hetch Hetchy Water Supply Division to the San Francisco Water Department However, the latter department has contributed $561,175.21 towards bond interest, bond redemption, and operating costs of the Hetch Hetchy Water Supply Division These contributions have been credited to surplus.

EXHIBIT "C"

HETCH HETCHY WATER SUPPLY AND POWER PROJECT
POWER DIVISION

STATEMENT OF OPERATIONS
For the Fiscal Year Ended June 30, 1938

REVENUES:			
Power Sales:			
Moccasin Power House:			
Through Pacific Gas & Electric Company	$8,717,516.48		
Less: Distribution Commission	6,420,082.43		
Remainder		$2,297,434.05	
Miscellaneous		460.07	
Total		$2,297,894.12	
Early Intake Power House:			
Pacific Gas & Electric Company	$ 69,293.12		
General consumers	18,882.93		
Total		88,176.05	
Other Revenues:			
Rents	$ 5,254.34		
Sale of water	614.57		
Meals	4,271.88		
Miscellaneous	218.54		
Total		10,359.33	
TOTAL REVENUES			$2,396,429.50
EXPENSES:			
Operating Expenses, Exclusive of Depreciation:			
Production, Schedule No. 1		$ 173,095.55	
Transmission, Schedule No. 2		31,564.58	
Administrative and general, Schedule No. 3		55,808.17	
Total		$ 260,468.30	
Provision for Depreciation (see notation)		175,000.00	
Total Operating Expenses		$ 435,468.30	
Bond Interest		622,161.00	
TOTAL EXPENSES			1,057,629.30
NET INCOME TRANSFERRED TO SURPLUS			$1,338,800.20

NOTE:
The provision for depreciation indicated in the foregoing applies only to power equipment assets aggregating in value approximately $7,000,000.00. At the time of this examination an appraisal of water and power assets was in progress for the purpose of redistributing such assets between the two divisions and establishing proper depreciation rates. The appraisal was not completed in time for incorporation in this report.

The United States Government filed suit in the Federal District Court under the Raker Act seeking to restrain the City and County of San Francisco from distributing Hetch Hetchy power under the agency contract with the Pacific Gas & Electric Company. This suit was decided in favor of the United States Government and a notice of appeal has been filed with the United States Circuit Court of Appeals.

SCHEDULE No. 1

POWER DIVISION

PRODUCTION EXPENSES

For the Fiscal Year Ended June 30, 1938

OPERATION:		
Superintendence	$ 8,838.12	
Hydraulic labor	12,531.72	
Station labor	45,414.78	
Miscellaneous labor	5,697.52	
Supplies and expenses	15,484.65	
Contributions to retirement system	2,675.81	
Compensation insurance	2,809.60	
Total		$ 93,452.20
MAINTENANCE:		
Structures	$23,140.84	
Reservoirs, dams, and intakes	4,637.40	
Waterways	11,950.18	
Forebays, penstocks, and tailraces	4,638.55	
Roads and trails	6,933.47	
Hydraulic power plant equipment	5,308.70	
Miscellaneous power plant equipment	4,335.70	
Total		60,944.84
MISCELLANEOUS:		
Rent	$10,000.00	
Communication system	7,808.90	
Hydrography	889.61	
Total		18,698.51
TOTAL PRODUCTION EXPENSES		$173,095.55

SCHEDULE No. 2

POWER DIVISION

TRANSMISSION EXPENSES

For the Fiscal Year Ended June 30, 1938

OPERATION:		
Superintendence	$3,259.28	
Transmission lines labor	9,162.23	
Transmission lines supplies and expenses	2,048.33	
Contributions to retirement system	482.61	
Total		$14,952.45
MAINTENANCE:		
Transmission structures	$ 113.19	
Substation equipment	4,354.83	
Towers and fixtures	86.58	
Tower line conductors	2,746.99	
Poles and fixtures	7,632.36	
Pole line conductors	230.29	
Roads and trails	1,337.13	
Miscellaneous	80.76	
Total		16,582.13
MISCELLANEOUS:		
Transmission rents		30.00
TOTAL TRANSMISSION EXPENSES		$31,564.58

SCHEDULE No. 3

POWER DIVISION

ADMINISTRATIVE AND GENERAL EXPENSES

For the Fiscal Year Ended June 30, 1938

Salaries and wages	$ 9,812.06
Contributions to retirement system	462.51
Services of other departments	31,113.57
Professional services	1,415.00
Stationery, office supplies, and postage	469.01
Telephone and telegraph	105.45
Traveling and other expenses	328.73
Injuries and damages	145.03
Automobile insurance premiums	639.61
Raker Act litigation	5,335.42
Maintenance of automotive equipment	2,074.60
County and irrigation district taxes	3,907.18
TOTAL	$55,808.17

Report on Examination of Accounts

Municipal Railway of San Francisco

For the Fiscal Year Ended June 30, 1938

(Wherever italic figures appear in this Report they indicate red figures.)

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS
Alexander Building, 155 Montgomery Street
San Francisco

September 26, 1938.

Honorable Harold J. Boyd, Controller, City and County of San Francisco.
San Francisco, California.

Dear Sir:

In accordance with your instructions, issued under the powers delegated to you by Ordinance No. 9.0621, approved by the Board of Supervisors on October 9, 1933, we have made an examination of the balance sheet of the Municipal Railway of San Francisco, a utility under the jurisdiction of the Public Utilities Commission, as of June 30, 1938, and of the related statements of income and surplus for the year ended that date. In connection therewith, we made a review of the accounting methods and examined or tested accounting records of the Railway and other supporting evidence in a manner and to the extent which we considered appropriate in view of the system of internal accounting control.

The expert to the grand jury participated in the examination.

We present our report consisting of the following:

Balance Sheet, June 30, 1938 (Exhibit A).

Summary of Fixed Capital for the Year Ended June 30, 1938 (Schedule 1).

Summary of Reserves for Depreciation, June 30, 1938 (Schedule 2).

Statement of Surplus for the Year Ended June 30, 1938 (Exhibit B).

Statement of Income for the Years Ended June 30, 1938 and 1937 (Exhibit C).

Provision for Depreciation for the Year Ended June 30, 1938 (Schedule 3).

Our comments and certificate as below:

The accompanying statements give effect to adjustments, not recorded in the Railway's accounts, in respect of the reserves for depreciation, which we have increased $952,166.23, such adjustments being summarized as follows:

Fiscal Year Ended June 30,	Adjusted Provision	Provision Per Accounts	Additional Provision
1934	$ 287,000.59	$ 52,606.00	$234,394.59
1935	287,052.06	100,000.00	187,052.06
1936	278,543.66	100,000.00	178,543.66
1937	272,643.12	100,000.00	172,643.12
Total	$1,125,239.43	$352,606.00	$772,633.43
1938	279,532.80	100,000.00	179,532.80
Total	$1,404,772.23	$452,606.00	$952,166.23

The adjusted provisions for depreciation for the years ended June 30, 1934 and 1935 are on the basis of 3% of the cost of road and equipment, which was used by the Railway from May 1, 1926 to June 30, 1933. The

adjusted provisions for the years ended June 30, 1936, 1937, and 1938 are computed on the basis of recommendations of Mr. Paul J. Ost, Chief Electrical Engineer of Utilities, and Mr. Frank J. Sheehan, Engineer of Maintenance of Way of the Railway, made in connection with the examination of the Railway's accounts for the year ended June 30, 1936 by other public accountants.

The adjustment for the year ended June 30, 1938 has the effect of reducing the recorded net income of the Railway for that year, $267,739.29, to $88,206.49, before consideration of "comparative charges" of approximately $110,000 carried in the accounts and the statements in memorandum form only.

BALANCE SHEET COMMENTS

Fixed Capital (gross)—$9,987,392.29

Changes in the fixed capital accounts during the year ended June 30, 1938 are summarized as follows:

Balance, June 30, 1937		$ 9,958,987.94
Gross additions:		
Replacements	$114,458.56	
Preliminary engineering surveys in connection with rapid transit plans under consideration	4,998.14	
Other additions	24,403.13	143,859.83
Total		$10,102,847.77
Deductions:		
Estimated cost of:		
Property replaced	$ 78,343.91	
Property retired	90.00	
Expenditures for preliminary engineering surveys written off against surplus	29,595.88	
Balance of expenditures for preliminary engineering surveys in connection with rapid transit plans, transferred to deferred charges section of balance sheet	7,425.69	115,455.48
Balance, June 30, 1938		$ 9,987,392.29

The accompanying Schedule 1 shows the changes for the year segregated between the primary accounts, which are kept in accordance with the classification prescribed for street railways by the Interstate Commerce Commission.

Construction of the extension of the "L" car line to Fleishhacker Pool, a Federal Works Progress Administration project, was completed during the year ended June 30, 1938 at a total cost to the Railway, for engineering and supervision services, labor on overhead wiring, and material, of $22,147.13. As sponsor of the project, the City and County of San Francisco expended an additional amount of $5,529.12, which is carried in the Railway's balance sheet at June 30, 1938 as a deferred charge, pending the allocation of such cost between the several primary accounts. It is understood that the Works Progress Administration spent an additional amount of approximately $53,000 for labor and material used on the project. No addition to road and equipment account has been made for the labor and material furnished by the Works Progress Administration.

Reserves for Depreciation of Road and Equipment—$6,266,467.83

From December 28, 1912 to May 1, 1926 an amount equal to 18% of gross passenger revenue, less bond redemption requirements, was credited to the

reserve for depreciation and charged against income, in accordance with Ordinance No. 3109, approved February 9, 1915.

Ordinance No. 3109 was repealed by Ordinance No. 7060, approved April 30, 1926, which provided for setting aside in a depreciation reserve fund during each fiscal year a sum equal to 3% of the cost of road and equipment. Accordingly from May 1, 1926 to June 30, 1933 the charge to income and credit to the reserves for depreciation was an amount equal to 3% per annum of the cost of road and equipment.

Since June 30, 1933 Section 128 of the Charter (which became effective January 8, 1932) has been interpreted by the Railway management to mean that the amounts of cash set aside in the depreciation fund for current replacements of properties are also the amounts chargeable to operations. On March 9, 1937 Section 128 was amended and Section 128-1 (new) clarifies the old section, providing generally that operations shall be charged with amounts adequate to provide for depreciation of property, but that of such provisions out of income, only estimated requirements for current annual replacements need be funded.

The accompanying statements have been adjusted by increasing the recorded provision for depreciation for each of the fiscal years since June 30, 1933. The bases of these adjustments are set forth hereinbefore. Computation of the adjusted provision for the year ended June 30, 1938 is shown by Schedule 3.

Section 128 of the Charter, as amended, above referred to, provided for an appraisal during the fiscal year 1937-1938 and periodically thereafter to establish bases for future depreciation. The results of such appraisal may occasion further adjustment of accumulated depreciation reserves and establish annual charges to be made against operations in the future, but up to the date of completion of our examination, such appraisal and tabulation of the results thereof had not been completed.

Cash—$1,009,269.26

The cash balance at June 30, 1938 consisted of the following funds:

On deposit with Treasurer:	
Operating fund	$ 662,934.13
Depreciation reserve fund	321,551.13
Accident reserve fund	6,881.50
Bond interest fund	13,402.50
Bond redemption fund	500.00
Total on deposit with Treasurer	$1,005,269.26
Revolving funds	4,000.00
Total cash	$1,009,269.26

In accordance with Section 66 of the Charter, cash on deposit with the Treasurer had been verified by the Controller, and we limited our verification in that connection to a review of the working papers prepared by the Controller's audit staff. Revolving funds were verified by communication with depositaries and custodians.

As has been mentioned in accountants' reports in past years, the balance of $6,881.50 in the accident reserve fund has remained unchanged since June 30, 1931. Payments of claims on account of accidents and damages since October 31, 1929 have been made from the operating fund in accordance with Ordinance No. 8570, Section 3 of which provides that during July of each year, 2½% of gross revenue for the preceding fiscal year less the aggregate amount expended during that year in payment for claims for

damages, shall be transferred from the operating fund to the accident reserve fund. The ordinance was interpreted in the Railway's accounts, through July 1931, in the event payments of claims for damages and expenses incidental thereto for the preceding fiscal year exceeded 2½% of gross revenue for that year, as intending that such excess be transferred from the accident reserve fund to the operating fund. Had such transfer been made in July 1932, the accident reserve fund would have been extinguished. No settlement between these funds has been made since July 1931, and in only one fiscal year since June 30, 1931 have claim and claim expense payments been less than 2½% of gross revenue.

The total amount charged to revolving funds in the Railway's accounts is $4,000.00. However, as of June 30, 1938, there was $2,711.99 expended from the funds, for which reimbursement had been requested of the Controller and which was recorded as accounts payable in the Railway's accounts, and $376.96 expended from the claim revolving fund for which reimbursement had not been requested.

Deferred Charges—$267,931.78

Materials and supplies, $184,698.89, are stated at book value, physical inventories not having been taken as of June 30, 1938. However, physical inventories of most of the materials and supplies were taken at various times during the fiscal year, and the necessary adjustments were made at various dates to bring the accounts into agreement with the physical counts.

The deferred charges classified as "other" in the accompanying balance sheet consist of the following items:

Cost of rapid transit and subway surveys	$ 8,196.63
Expenditures from general city and county funds for "L" car line extension	5,529.12
Cash advanced to Public Utilities Improvement Fund	1,968.58
Cash advanced to Works Progress Administration of Federal Government for test borings to determine subsurface conditions for use in preparing subway plans and specifications	1,625.00
Cash advanced to Public Utilities Commission for depreciation survey	2,000.00
Expenses in connection with depreciation survey	407.50
Total	$19,726.83

Deferred charges in connection with rapid transit and subway surveys, $8,196.63, represent expenditures made from appropriations which were still open at June 30, 1938, and against which additional charges may be made.

We understand that the funds advanced to the Works Progress Administration for test borings, $1,625.00, had been exhausted prior to the end of the fiscal year.

Bonded Debt—$1,500,500.00
Bond Interest Payable—$19,652.50

We confined our verification of these liabilities to reference to the records of the Controller.

Matured coupons not presented for payment consist of the following:

1913 issue	$13,357.50
1910 issue (Geary Street)	22.50
1910 issue (Market Street)	22.50
Total	$13,402.50

The bond issue of December 1, 1913 was sold at a premium of $26,000.38, which was credited direct to surplus because of its immaterial amount in relation to the principal of the bonds.

Accounts Payable for Contracts, Purchase Orders, and Other Commitments—$78,228.06

These liabilities include $52,055.94 for contracts entered into for supplies, construction, etc., not received or completed as of June 30, 1938, the contra account being carried as a deferred charge, and $2,356.15 for wages due employees under the terms of the annual salary ordinance in excess of the amounts provided therefor in the corresponding budget, as to which excess amounts payment is being withheld pending determination of the legality of payment thereof.

Reserve for Damage Claims—$96,533.79

Under the authority of Ordinance No. 7060, passed by the Board of Supervisors and approved April 30, 1926, an accident reserve fund was created by transfer thereto of $100,000.00 from the depreciation reserve fund. In accordance with the ordinance, 2½% of gross passenger revenue from May 1, 1926 to October 31, 1929 also was set aside in the accident reserve fund and all payments of claims and expenses incidental thereto were made from such fund. Ordinance No. 7060 was repealed by Ordinance No. 8570, approved October 26, 1929, which provided for payment of claims and claims expenses from the operating fund instead of the accident reserve fund, and an annual transfer from the operating fund to the accident reserve fund of the excess of 2½% of gross revenue over claims and claims expense payments during each fiscal year, as commented upon heretofore in connection with the unexpended balance in the accident reserve fund as of June 30, 1938.

In connection with the creation of the accident reserve fund, liability reserve accounts were also established, which are summarized for the period from May 1, 1926 to June 30, 1938, as follows:

Amount transferred from reserve for depreciation, May 1, 1926		$ 100,000.00
Profit on sale of securities, in which accident reserve funds were invested		142.16
Addition provided by charge to surplus as of June 30, 1936		71,203.12
Additions provided by charges against income:		
May 1, 1926 to October 31, 1929—2½% of gross passenger revenue		302,543.32
November 1, 1929 to June 30, 1934—2½% of gross operating revenue		366,575.09
July 1, 1934 to June 30, 1938—3% of gross operating revenue		382,228.89
Total		$1,222,692.58
Less aggregate amount paid for damage claims and expenses incidental thereto, May 1, 1926 to June 30, 1938		1,126,158.79
Balance, June 30, 1938		$ 96,533.79

INSURANCE

The Railway does not carry insurance against fire, earthquakes, liability for injuries, property damage, and workmen's compensation, and other possible casualties, with minor exceptions, and reserves have not been provided in the accounts for losses which might arise from such contingencies.

COMPARATIVE CHARGES FOR TAXES

As required by Section 64 of the Charter, the Railway carried certain memorandum accounts in its books showing the estimated amounts which would be expended for taxes if the Railway were operated as a privately-owned utility. For the year ended June 30, 1938 these memorandum accounts show the following amounts:

City and County of San Francisco:	
Franchise tax	$22,278.52
Property tax	86,118.63

The franchise tax is computed on the basis of .6415% of passenger and advertising revenue, that being the rate assessed to Market Street Railway Company as fixed by Ordinance 15.0919, passed June 10, 1935.

In the absence of an assessed valuation on the property of the Municipal Railway of San Francisco, the property tax is based on 2½% of the passenger revenue, that being the approximate ratio of the property tax assessed against Market Street Railway Company by the City and County of San Francisco for the fiscal year ended June 30, 1936, to that company's passenger revenue for the calendar year 1934. This computation does not purport to show the actual tax which would be assessed against the Railway if it were privately owned, but was chosen as the most practicable method of meeting the requirements of the Charter in the absence of an assessed valuation. The tax rate for the fiscal year ended June 30, 1938 was approximately 5% higher than that for the year ended June 30, 1936.

In addition to the above taxes, the Railway would also, if privately owned, be subject to State of California motor vehicle license, registration, and weight fees on its busses, trucks, and service cars, amounting to approximately $2,750 for the year ended June 30, 1938.

The amounts for which the Railway, if privately owned, would be liable for Federal income and California State franchise taxes are not readily determinable but apparently would be negligible.

These comparative charges accounts are not charged to operations.

COMMENTS ON STATEMENT OF INCOME

Sick leave and disability leave benefits to employees, as provided by Ordinance No. 4.0521, which became operative on July 1, 1937, cost the Railway $42,121.22 during the first year such ordinance was in effect. The cost of these benefits is included in general and miscellaneous expenses and accounts for the major portion of the increase in such expenses as compared with the preceding year.

CERTIFICATE

In our opinion, based upon our examination, the accompanying balance sheet and related statements of income and surplus fairly present the financial condition of the Railway at June 30, 1938, and the results of its operations for the year ended that date.

Yours truly,

HASKINS & SELLS.

EXHIBIT A

MUNICIPAL RAILWAY OF SAN FRANCISCO

BALANCE SHEET, JUNE 30, 1938

ASSETS

FIXED CAPITAL:		
Road and equipment (Schedule 1)	$9,987,392.29	
Less reserves for depreciation of road and equipment (Schedule 2)	6,266,467.83	
Remainder—Fixed capital, depreciated value		$3,720,924.46
CASH:		
On deposit with treasurer	$1,005,269.26	
Revolving funds	4,000.00	
Total cash		1,009,269.26
ACCOUNTS RECEIVABLE (Other than interfund)		670.10
INTERFUND ACCOUNTS RECEIVABLE:		
General city and county	$ 1,043.72	
San Francisco water department	200.10	
Total interfund accounts receivable		1,243.82
DEFERRED CHARGES:		
Materials and supplies	$ 184,698.89	
Goods and services receivable under contracts, purchase orders, etc.	52,055.94	
Replacement jobs in progress	11,450.12	
Other	19,726.83	
Total deferred charges		267,931.78
		$5,000,039.42

EXHIBIT A (Continued)

MUNICIPAL RAILWAY OF SAN FRANCISCO

BALANCE SHEET, JUNE 30, 1938

LIABILITIES

BONDED DEBT:		
Issue of December 1, 1913, 5%, maturing $100,000.00 annually to December 1, 1952	$1,500,000.00	
Matured bonds not presented for payment	500.00	
Total bonded debt		$1,500,500.00
BOND INTEREST PAYABLE:		
Matured coupons not presented for payment	$ 13,402.50	
Accrued—not due	6,250.00	
Total bond interest payable		19,652.50
ACCOUNTS PAYABLE (other than interfund):		
Warrants outstanding	$ 110,323.99	
Contracts, purchase orders, and other commitments	78,228.06	
Total accounts payable (other than interfund)		188,552.05
INTERFUND ACCOUNTS PAYABLE:		
General city and county	$ 18,886.46	
San Francisco water department	130.90	
Total interfund accounts payable		19,017.36
RESERVE FOR DAMAGE CLAIMS		96,533.79
DEFERRED CREDITS TO INCOME		749.15
SURPLUS (Exhibit B)		3,175,034.57
TOTAL		$5,000,039.42

EXHIBIT B

MUNICIPAL RAILWAY OF SAN FRANCISCO

STATEMENT OF SURPLUS

For the Year Ended June 30, 1938

SURPLUS FROM OPERATIONS:			
Balance per books, June 30, 1937 (see note)		$2,375,128.54	
Less additional provision for depreciation for fiscal years ended:			
June 30, 1934	$234,394.59		
June 30, 1935	187,052.06		
June 30, 1936	178,543.66		
June 30, 1937	172,643.12	772,633.43	
Balance, June 30, 1937, as adjusted		$1,602,495.11	
Net income for the year ended June 30, 1938 (Exhibit C)		88,206.49	
Total		$1,690,701.60	
Deduct:			
Prior years' expenditures for rapid transit and subway surveys written off after voters' rejection of proposed subway bond issue	$29,595.88		
Cost of setting back trolley poles on Van Ness Avenue during year ended June 30, 1937	17,386.28	46,982.16	
Surplus from operations, June 30, 1938			$1,643,719.44
CONTRIBUTED SURPLUS:			
Balance, June 30, 1937:			
From general taxes		$1,496,216.19	
Donated equipment		24,000.00	
Salvage from abandoned Market Street Railway Company line		4,725.54	
Total		$1,524,941.73	
Contribution from general city and county funds for "L" car line extension and subway test borings		6,300.06	
Value assigned to material removed during year ended June 30, 1938 from line abandoned by Market Street Railway Company		73.34	
Contributed surplus, June 30, 1938			1,531,315.13
TOTAL SURPLUS, JUNE 30, 1938			$3,175,034.57

NOTE: The balance per books as of June 30, 1937, as shown above, is after giving effect to an addition of $71,203.12 to the reserve for damage claims by a transfer from surplus account, recorded by the Railway as of June 30, 1936 after its accounts were closed for the year ended June 30, 1937.

EXHIBIT C

MUNICIPAL RAILWAY OF SAN FRANCISCO

STATEMENT OF INCOME

For the Years Ended June 30, 1938 and 1937.

	Year Ended June 30 1938	1937
OPERATING REVENUE:		
Passenger	$3,444,744.88	$3,137,583.88
Other	28,135.10	26,468.19
Total operating revenue	$3,472,879 98	$3,164,052.07
OPERATING EXPENSES EXCLUSIVE OF PROVISION FOR DEPRECIATION:		
Maintenance of way and structures	$ 155,275.94	$ 144,561.22
Maintenance of equipment	207,932.16	192,726.50
Power	516,072.40	484,763.47
Conducting transportation	1,803,752.88	1,698,938.08
Provision for damage claims and expenses incidental thereto	104,186.40	94,921.56
General and miscellaneous	249,491.06	192,923.90
Total operating expenses exclusive of provision for depreciation	$3,036,710.84	$2,808,834.73
OPERATING INCOME BEFORE PROVISION FOR DEPRECIATION	$ 436,169.14	$ 355,217.34
OTHER INCOME:		
Interest on bank balances, etc.	$ 2,667.87	$ 4,204.08
Subsidy from Harbor Commission		3,631.70
Sale of scrap from way and structures replacements	4,462.35	
Share of accumulated surplus of Public Utilities' Commission Fund distributed during year	1,798.93	
Total other income	$ 8,929.15	$ 7,835.78
GROSS INCOME BEFORE PROVISION FOR DEPRECIATION	$ 445,098.29	$ 363,053.12
LOSS ON RETIREMENT OF EQUIPMENT (NET)	275.67	1,240.59
NET INCOME BEFORE DEDUCTION OF BOND INTEREST AND PROVISION FOR DEPRECIATION	$ 444,822.62	$ 361,812.53
BOND INTEREST	77,083.33	82,083.34
NET INCOME BEFORE PROVISION FOR DEPRECIATION	$ 367,739.29	$ 279,729.19
PROVISION FOR DEPRECIATION (See Schedule 3)	279,532.80	272,643.12
NET INCOME (see note)	$ 88,206.49	$ 7,086.07
COMPARATIVE CHARGES FOR TAXES AS REQUIRED BY SECTION 64 OF THE CHARTER —ESTIMATED	$ 110,000.00	$ 100,000.00

NOTE: Net income of $7,086.07 for the year ended June 30, 1937 is exclusive of $17,386.28 expended during that year for resetting trolley poles on Van Ness Avenue, from cash advanced to the Public Utilities Improvement Fund, such advance being carried in the balance sheet at June 30, 1937 as a deferred charge pending final accounting therefor. The cost of this work was charged direct to surplus during the year ended June 30, 1938 (see Exhibit B).

SCHEDULE 1

MUNICIPAL RAILWAY OF SAN FRANCISCO

SUMMARY OF FIXED CAPITAL

For the Year Ended June 30, 1938

	Balance, June 30, 1937	Additions	Retirements	Balance, June 30, 1938
WAY AND STRUCTURES:				
Engineering and superintendence	$ 404,971.79	$ 6,597.32	$ 3,671.05	$ 407,898.06
Rights-of-way	169,839.07	.....	.....	169,839.07
Other land used in operations	265,490.48	.....	.....	265,490.48
Grading	449,596.35	.....	.....	449,596.35
Ballast	320,979.50	1,159.98	917.00	321,222.48
Ties	170,452.86	1,140.31	890.51	170,702.66
Rails, rail fastenings, and joints	846,841.44	14,052.56	6,034.09	854,859.91
Special work	297,833.54	12,404.47	9,594.67	300,643.34
Track and roadway labor	707,853.01	20,780.82	7,085.93	721,547.90
Paving	1,085,831.16	14,264.99	11,120.01	1,088,976.14
Roadway machinery and tools	17,827.13	4,068.74	.....	21,895.87
Tunnels and subways	13,600.00	.....	.....	13,600.00
Bridges, trestles, and culverts	4,231.42	23.52	.....	4,254.94
Crossings, fences, and signs	41,810.19	.....	.....	41,810.19
Signals and interlocking apparatus	2,437.58	.....	.....	2,437.58
Telephone and telegraph lines	162.49	.....	.....	162.49
Poles and fixtures	248,207.63	2,905.15	.....	251,112.78
Underground conduits	142,495.30	.....	.....	142,495.30
Distribution system	730,768.63	3,672.16	1,708.93	732,731.86
Shops and carhouses	886,686.34	509.92	237.00	886,959.26
Stations, miscellaneous buildings, and structures	35,482.67	528.71	108.00	35,903.38
Cost of road purchased	44,154.47	.....	.....	44,154.47
Other expenditures, way and structures	84,348.16	14,559.24	1,010.16	97,897.24
Total way and structures	$6,971,901.21	$ 96,667.89	$ 42,377.35	$7,026,191.75
EQUIPMENT:				
Passenger and combination cars, electric	$1,536,459.32	$ 2,029.10	$ 540.00	$1,537,948.42
Motor coaches	181,686.15	40,645.28	32,644.73	189,686.70
Service equipment, electric	13,871.11	.....	.....	13,871.11
Service equipment, automotive	29,930.01	3,436.46	2,297.86	31,068.61
Electric equipment of cars	764,028.91	.....	.....	764,028.91
Shop equipment	42,698.75	523.22	.....	43,221.97
Furniture and office equipment	31,668.35	2,655.68	573.97	33,750.06
Total equipment	$2,600,342.60	$ 49,289.74	$ 36,056.56	$2,613,575.78
GENERAL AND MISCELLANEOUS:				
Law expenditures	$ 26,668.31	.....	.....	$ 26,668.31
Interest during construction	252,270.75	.....	.....	252,270.75
Miscellaneous	68,685.70	.....	.....	68,685.70
Total general and miscellaneous	$ 347,624.76	.....	.....	$ 347,624.76
TOTAL ROAD AND EQUIPMENT	$9,919,868.57	$145,957.63	$ 78,433.91	$9,987,392.29
CONSTRUCTION IN PROGRESS	7,095.94	7,095.94*	.....	.....
PRELIMINARY ENGINEERING SURVEYS	32,023.43	4,998.14	37,021.57†	.....
TOTAL FIXED CAPITAL	$9,958,987.94	$143,859.83	$115,455.48	$9,987,392.29

*Denotes red figure.

†Of this amount, $29,595.88 was charged to surplus as shown by accompanying Exhibit B, and the remainder, $7,425.69, was transferred to deferred charges.

SCHEDULE 2

MUNICIPAL RAILWAY OF SAN FRANCISCO

SUMMARY OF RESERVES FOR DEPRECIATION, JUNE 30, 1938

	Total	Equipment, Buildings, Etc.	Track, Roadway, and Distribution System
BALANCE, JUNE 30, 1937:			
Provision for depreciation, per books:			
December 28, 1912 to June 30, 1933	$5,468,550.16	$1,506,706.42	$3,961,843.74
Fiscal year ended June 30, 1934	52,606.00	39,805.42	12,800.58
Fiscal year ended June 30, 1935	100,000.00	41,452.11	58,547.89
Fiscal year ended June 30, 1936	100,000.00	74,007.90	25,992.10
Fiscal year ended June 30, 1937	100,000.00	99,934.31	65.69
Total	$5,821,156.16	$1,761,906.16	$4,059,250.00
Less accrued depreciation on assets retired	530,383.82	149,529.03	380,854.79
Balance, June 30, 1937, per books	$5,290,772.34	$1,612,377.13	$3,678,395.21
Additional provision for depreciation:			
Fiscal year ended June 30, 1934	$ 234,394.59	$ 66,025.43	$ 168,369.16
Fiscal year ended June 30, 1935	187,052.06	65,493.88	121,558.18
Fiscal year ended June 30, 1936	178,543.66	18,206.64	160,337.02
Fiscal year ended June 30, 1937	172,643.12	*13,975.51*	186,618.63
Total	$ 772,633.43	$ 135,750.44	$ 636,882.99
Balance, June 30, 1937, as adjusted	$6,063,405.77	$1,748,127.57	$4,315,278.20
ADD PROVISION FOR DEPRECIATION FOR THE FISCAL YEAR ENDED JUNE 30, 1938 (Schedule 3)	279,532.80	92,025.01	187,507.79
Total	$6,342,938.57	$1,840,152.58	$4,502,785.99
DEDUCT ACCRUED DEPRECIATION ON ASSETS RETIRED DURING FISCAL YEAR ENDED JUNE 30, 1938	76,470.74	34,438.39	42,032.35
BALANCE, JUNE 30, 1938	$6,266,467.83	$1,805,714.19	$4,460,753.64

SCHEDULE 3

MUNICIPAL RAILWAY OF SAN FRANCISCO

PROVISION FOR DEPRECIATION

For the Year Ended June 30, 1938

	Gross Book Value of Property, June 30, 1937	Gross Book Value of Assets Fully Depreciated	Remainder	Estimated Life (Years)	Depreciable Factor %	Annual Rate of Depreciation %	Provision for Depreciation Year Ended June 30, 1938
Land:							
Rights-of-way	$ 169,839.07	.....	$ 169,839.07				
Other land	265,490.48	.....	265,490.48				
Buildings and Structures:							
Engineering and superintendence	404,971.79	.....	404,971.79	25	80%	3.20%	$ 12,959.10
Grading	449,596.35	.....	449,596.35				
Ballast	320,979.50	.....	320,979.50	35	65%	1.85%	5,938.12
Ties	170,452.86	.....	170,452.86	25	100%	4.00%	6,818.11
Rails, rail fastenings, and joints	846,841.44	.....	846,841.44	25	82%	3.28%	27,776.40
Special work	297,833.54	.....	297,833.54	18	92%	5.10%	15,189.51
Track and roadway labor	707,853.01	.....	707,853.01	25	100%	4.00%	28,314.12
Paving	1,085,831.16	.....	1,085,831.16	25	100%	4.00%	43,433.25
Roadway machinery and tools	17,827.13	$ 5,395.98	12,431.15	Various	.....	.....	863.79
Tunnels and subways	13,600.00	1,600.00	12,000.00	30	90%	3.00%	360.00
Bridges, trestles, and culverts	4,231.42	.....	4,231.42	40	100%	2.50%	105.79
Crossings, fences, and signs	41,810.19	.....	41,810.19	25	100%	4.00%	1,672.40
Signals and interlocking apparatus	2,437.58	.....	2,437.58	25	90%	3.60%	87.75
Telephone and telegraph lines	162.49	.....	162.49	25	90%	3.60%	5.85
Poles and fixtures	248,207.63	.....	248,207.63	40	95%	2.37%	5,882.52
Underground conduits	142,495.30	.....	142,495.30	60	90%	1.50%	2,137.43
Distribution system	730,768.63	.....	730,768.63	25	80%	3.20%	23,384.60
Shops and car houses	886,686.34	315.98	886,370.36	50	95%	1.90%	16,841.04
Stations, miscellaneous buildings, and structures	35,482.67	2,118.37	33,364.30	35	95%	2.72%	907.51
Cost of road purchased	44,154.47	.....	44,154.47	25	100%	4.00%	1,766.18
Other expenditures, way and structures	84,348.16	.....	84,348.16	25	100%	4.00%	3,373.92
Equipment:							
Passenger and combination cars, electric	1,536,459.32	19,256.99	1,517,202.33	40	95%	2.37%	35,957.70
Motor coaches	181,686.15	90,714.26	90,971.89	7	95%	13.56%	12,335.79
Service equipment, electric	13,871.11	4,200.00	9,671.11	40	95%	2.37%	229.21
Service equipment, automotive	29,930.01	16,616.60	13,313.41	10	95%	9.50%	1,264.77
Electric equipment of cars	764,028.91	.....	764,028.91	40	95%	2.37%	18,107.48
Shop equipment	42,698.75	6,500.91	36,197.84	25	95%	3.80%	1,375.52
Furniture and office equipment	31,668.35	7,195.22	24,473.13	Various	.....	.....	2,016.20
General and Miscellaneous:							
Law expenditures	26,668.31	.....	26,668.31	33⅓	100%	3.00%	800.05
Interest during construction	252,270.75	.....	252,270.75	33⅓	100%	3.00%	7,568.12
Miscellaneous	68,685.70	.....	68,685.70	33⅓	100%	3.00%	2,060.57
Total	$9,919,868.57	$153,914.31	$9,765,954.26				$279,532.80

Report on Examination of Accounts

San Francisco City and County Employees' Retirement System

For the Fiscal Year Ended June 30, 1938

(Wherever italic figures appear in this Report they indicate red figures.)

JOHN F. FORBES & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Crocker Building

San Francisco

September 30, 1938.

Honorable Harold J. Boyd, Controller, City and County of San Francisco, San Francisco, California.

Dear Sir:

We have made an examination of the accounts of the San Francisco City and County Employees' Retirement System for the year ended June 30, 1938, and submit the following exhibits and schedule:

Exhibit A—Balance Sheet, June 30, 1938.
Schedule 1—Investment Bonds.
B—Statement of Revenues and Expenditures for the Fiscal Year Ended June 30, 1938.

In addition to the above, we present the following comments:

SCOPE OF EXAMINATION

In accordance with the terms of the engagement, our examination was limited to the verification of the assets and liabilities as of June 30, 1938, and a review and test check of the revenues and expenditures for the year ended that date. In connection therewith, we made a general review of the accounting methods, and examined or tested, in a manner and to the extent which we considered appropriate in view of the system of internal accounting control, the accounting records and other supporting evidence, but we did not make a detailed audit.

The expert to the Grand Jury participated in the examination.

BALANCE SHEET COMMENTS

CASH ON DEPOSIT WITH TREASURER—$167,876.12

The cash on deposit with the Treasurer was verified as of June 30, 1938, by the auditing staff of the Controller's office. We inspected the report on such verification and ascertained that the balance as recorded on the books was in reconcilement therewith.

ACCRUED INTEREST ON INVESTMENT BONDS—$348,575.05

This amount represents the interest accrued on investment bonds from latest coupon date to June 30, 1938, the computations of which were verified by us.

INVESTMENT BONDS—$21,635,892.28

Following is a summary of the book values of the investment bonds as of June 30, 1938, the details of which will be found on Schedule 1 of Exhibit A of this report:

Government, state, municipal, and other political subdivisions	$20,190,871.25
Railroads	646,079.11
Other public utilities	798,941.92
Total	$21,635,892.28

These bonds, which are held in joint custody of the Controller and Treasurer, were verified by inspection or otherwise accounted for. The collection of interest coupons maturing during the year under review was also verified by us. None of the securities held in the Retirement Fund were in default as to principal or interest as of June 30, 1938.

No attempt was made to ascertain the market value of the bonds at June 30, 1938, as all security purchases are for investment purposes only.

In accordance with the provisions of Section 159 of the Charter, all investment bonds in the Retirement Fund are of the character legal for investments of insurance companies in California.

The net amortization of the premium and discount on investment bonds for the fiscal year ended June 30, 1938, amounted to $68,416.06. The premium or discount at the time of purchase of the bonds is amortized or accumulated on a scientific basis from date of purchase to maturity. We accumulated the net amortization for the year from the System's security list and tested a substantial portion thereof by actual computation and by comparison with the individual bond record cards.

The changes in the investment bonds during the year under review are indicated in the following summary:

	Total	Government, State, Municipal, and Other Political Subdivisions	Railroads	Other Public Utilities
Balance, June 30, 1937..	$19,643,342.68	$18,181,233.41	$680,901.86	$781,207.41
Add purchases	2,275,953.16	2,256,525.66	.....	19,427.50
Total	$21,919,295.84	$20,437,759.07	$680,901.86	$800,634.91
Deduct:				
Bonds matured	$ 214,987.50	$ 179,987.50	$ 35,000.00	.....
Amortization (net)....	68,416.06	66,900.32	177.25	$ 1,692.99
Total deductions....	$ 283,403.56	$ 246,887.82	$ 34,822.75	$ 1,692.99
Balance, June 30, 1938..	$21,635,892.28	$20,190,871.25	$646,079.11	$798,941.92

ACCOUNTS RECEIVABLE—CITY AND COUNTY OF SAN FRANCISCO—$4,366,032.04

The composition of the above amount is as follows:

Amounts computed in accordance with Sections 166 and 169 of the Charter:		
Current service:		
Firemen		$3,357,356.90
Policemen		933,952.91
Total		$4,291,309.81
Less:		
Appropriation credits	$440,170.24	
Taxes receivable allocated to the Retirement System	58,189.31	498,359.55
Remainder		$3,792,950.26
Police $2.00 contributions paid to the Police Relief and Pension Fund prior to January 8, 1932		440,576.38
Total		$4,233,526.64
Employees' contributions in course of collection		29,328.23
Current accounts:		
Matching contributions	$ 81,934.48	
Prior service retirement allowances	18,045.86	
Compensation insurance disbursements	4,007.86	
Total	$103,988.20	
Less proportion of appropriation No. 7-932-815 for 1937-1938, carried forward to cover payment made in July, 1938, on account of permanent disability award	811.03	
Remainder		103,177.17
Total		$4,366,032.04

The following comments, under appropriate headings, are submitted with respect to certain of the items detailed above:

Current Service—$3,792,950.26

This amount represents the balance which would be required as of June 30, 1938, from the City and County, to establish an actuarial reserve equivalent to liabilities accruing under the Retirement System because of service rendered by policemen and firemen who became members on January 8, 1932, as pro-

vided in subdivision (f) of Section 166 and subdivision (d) of Section 169 of the Charter. These subdivisions are as follows:

Section 166, subdivision (f)—Police Department Members

"In addition to the other contributions required of the city and county under the retirement system, the city and county shall contribute to the retirement system during each fiscal year a sum which, together with the members' contributions provided for in subdivision (d) of this section, shall be equal to the liabilities accruing under the retirement system because of the service rendered during such year by persons becoming members on the 8th day of January, 1932, under this section. If, subsequent to such fiscal year, it shall be determined that such contribution by the city and county, together with the members' contributions, was not sufficient to meet such liability, then the city and county shall make such additional contribution as may be necessary to make up the deficit."

Section 169, subdivision (d)—Members of Fire Department

"In addition to the other contributions required of the city and county under the retirement system, the city and county shall contribute to the retirement system during each fiscal year a sum which shall be equal to the liabilities accruing under the retirement system because of service rendered during such year by persons becoming members on the 8th day of January, 1932, under this section. If, subsequent to such fiscal year, it shall be determined that such contribution by the city and county was not sufficient to meet such liability, then the city and county shall make such additional contribution as may be necessary to make up the deficit."

For the purpose of computing these contributions, the Retirement Board, after an actuarial valuation, established a rate of 19.16 per cent of salaries earned by firemen, and 6.36 per cent of salaries earned by policemen not exercising the option granted by the Charter of becoming miscellaneous members of the Retirement System.

The City and County administration has elected to provide money annually to meet the estimated disbursements for pensions and death benefits payable to policemen and firemen during each year rather than to create reserves to meet the obligations of future years on account of current service.

For accounting convenience, the funds allocated by the Controller from the tax collections have been first applied by the Retirement System to cover retirement disbursements and matching contributions of the miscellaneous classification of members, the remainder being applied to the contributions required from the City and County under the sections of the Charter quoted above.

Until the fiscal year ended June 30, 1936, the receipts from the City and County were not sufficient to apply any part of them to the contributions receivable for firemen and policemen. As of June 30, 1938, the amount of $440,170.24 had been received in excess of retirement disbursements and matching contributions of the miscellaneous classification of members. During the period from January 8, 1932, to June 30, 1938, the disbursements for firemen and policemen current service pensions, and death allowances and benefits aggregated $436,167.04.

Police $2.00 Contributions Paid to the Police Relief and Pension Fund Prior to January 8, 1932—$440,576.38

Under date of January 8, 1932, the members of the Police Relief and Pension Fund became members of the San Francisco City and County Employees'

Retirement System. The member contributions under the predecessor pension fund had been used to pay current pension allowances, and therefore were not turned over to the Retirement System.

The amount indicated above represents contributions of $2.00 per month paid to the Police Relief and Pension Fund prior to January 8, 1932, by those policemen who were members of the police department at that date and who were still in the department at June 30, 1938. When a member of this classification is retired or otherwise terminates City and County employment, the amount due on account of such member is collected from the City and County through the current appropriation.

Interest on this account at the rate of 4% per annum has been collected for the period from January 8, 1932, to and including June 30, 1938.

Employees' Contributions in Course of Collection—$29,328.23

This amount represents employees' contributions deducted from salary warrants for the second half of June, 1938, in the amount of $29,299.62, and a balance of $28.61 which is being liquidated on an installment basis. At the time of our examination, collections aggregating $29,309.62 had been made on these accounts.

CURRENT ACCOUNTS

The accounts grouped under this caption cover contributions and disbursements for which provision was made in the 1937-8 budget appropriations, and were all collected by the Retirement System during the course of our examination.

Matching Contributions—$81,934.48

Section 164 of the Charter provides that the City and County shall contribute to the Retirement System an amount equal to the normal contributions of member employees. The amount indicated above is composed of the following matching contributions due as of June 30, 1938:

Public Service Enterprises:	
Municipal Railway	$13,642.44
Water Department	6,779.05
Hetch Hetchy Power Division	480.25
General City and County	61,032.74
Total	$81,934.48

Prior Service Retirement Allowances—$18,045.86

The above amount covers payments made from the Retirement Fund during the month of June, 1938, on account of retirement allowances granted for prior service, which, according to Section 43 of Ordinance 4.073, are to be reimbursed from the following funds:

San Francisco School Department	$16,337.30
Municipal Railway	1,708 56
Total	$18,045.86

Compensation Insurance Disbursements—$4,007.86

The composition of the above amount is as follows:

Compensation disbursements for June, 1938, receivable from other than general fund appropriations	$4,191.53
Less amount due to engineering department	183.67
Remainder	$4,007.86

TAXES RECEIVABLE, LESS ALLOWANCE OF $26,361.56 FOR UNCOLLECTIBLE ACCOUNTS—$58,189.31

The accounts of the Controller of the City and County reflect the allocation to the Retirement System of $84,550.87 of delinquent taxes and penalties. Provision in the amount of $26,361.56 has been made for unsecured personal property taxes considered uncollectible.

UNDISTRIBUTED PORTION OF AMOUNTS PREVIOUSLY APPLIED TO PROVIDE RETIREMENT ALLOWANCES FOR CURRENT SERVICE TO BE DISBURSED MONTHLY—$3,609,609.25

The composition of the above amount is as follows:

Service retirements, current service:		
Miscellaneous members	$1,827,876.43	
Firemen	323,219.69	
Policemen	231,275.37	$2,382,371.49
Disability retirements, current service:		
Miscellaneous members	$ 324,932.44	
Firemen	160,854.29	
Policemen	189,074.11	674,860.84
Death allowances:		
Firemen	$ 278,864.26	
Policemen	273,512.66	552,376.92
Total		$3,609,609.25

With the exception of "Disability Retirements, Current Service," referred to subsequently in this report, these amounts represent the value of retirement allowances for current service pensions and annuities as of the dates of retirement of the members, plus annual interest accretions on the undistributed portion to June 30, 1938, and less the monthly allowances paid to that date. The amounts do not include the liability to retired members on account of prior service, which portion of the monthly allowance is reimbursed annually by the City and County current appropriation.

Our audit included a comprehensive test of the recorded service and disability retirements and death allowances granted and approved by the Retirement Board during the fiscal year ended June 30, 1938. We also ascertained that the undistributed balances in the retired members' individual accounts were in agreement with the related general ledger controls.

Section 11(b) of Ordinance 4,073 provides that the Retirement Board shall make an actuarial investigation into the mortality, service, and compensation experience of members and beneficiaries as of June 30, 1933, and thereafter at intervals of not to exceed six years, and also make an actuarial valuation of the assets and liabilities of the Retirement System. Upon the basis of such investigation and valuation, the Board is required to adopt such interest rate and such mortality, service, and other tables and revision in rates of contribution as shall be deemed necessary. Investigations, covering only the mortality experience among retired members, have been made as of June 30, 1933, and June 30, 1937, under the direction of Mr. Ralph R. Nelson, Secretary-Actuary. Based upon studies made during the fiscal year under review, the Retirement Board has reduced the annual interest rate to 3½% and increased the amounts of contributions to be paid by members, both of which changes are effective July 1, 1938.

DISABILITY RETIREMENTS, CURRENT SERVICE—$674,860.84

The composition of the above amount is as follows:

Classification	Miscellaneous Members	Firemen	Policemen
Present value at June 30, 1938, of the disability retirement allowances granted, ascertained by calculations based on future payments to be made	$165,217.95	.....	$ 34,182.43
Undistributed portion as of June 30, 1938, of the total value of retirement allowances as determined at date of retirement	159,714.49	$160,854.29	154,891.68
Total	$324,932.44	$160,854.29	$189,074.11

MEMBERS' ACCUMULATED CONTRIBUTIONS—$9.845,498.41

Under this caption are included the following contributions:

Normal contributions, miscellaneous members	$8,999,958.42
Policemen $2.00 contributions	707,389.41
Additional contributions	138,150.58
Total	$9,845,498.41

We determined that the aggregate of the member ledger card balances were in agreement with the related control accounts, and tested a substantial portion of the computations in the individual accounts for the year under review.

Normal Contributions, Miscellaneous Members—$8,999,958.42

This item is composed of amounts contributed by miscellaneous members at varying rates depending upon age at time of becoming a member, and sex, plus interest compounded at June 30, each year. The rate of interest set under authority of the Retirement Board has been 4% per annum, with the exception of the fiscal years ended June 30, 1928, 1929, and 1930, in which years the rate established was 4.4%.

Policemen $2.00 Contributions—$707,389.41

Policemen who were members of the Police Department on January 8, 1932, prior to that date contributed at the rate of $2.00 each per month to the Police Relief and Pension Fund, and subsequently thereto have contributed at the same rate to the Retirement System unless and until they elected to become members on the basis of policemen entering the service after that date. At June 30, 1938, the balance to the credit of members, including interest at the rate of 4% per annum, amounted to $707,389.41.

Additional Contributions—$138,150.58

This amount represents contributions by members in addition to those fixed as normal by the Retirement Board, as permitted by Section 164 of the Charter, together with interest at the established annual rates. The City and County is not liable for any contributions to the Retirement System on account of these additional member contributions.

CITY AND COUNTY ACCUMULATED CONTRIBUTIONS—CURRENT SERVICE—$11,652,910.72

Following is a summary of these City and County accumulated contributions:

Matching contributions, miscellaneous members	$ 8,999,958.42
Firemen	2,340,110.87
Policemen	312,841.43
Total	$11,652,910.72

Upon the retirement of a member, or his death in performance of duty, an amount equal to the present value of the current service pension allowance granted is transferred from this balance sheet caption to the appropriate items under "Undistributed portion of amounts previously applied to provide retirement allowances for current service to be disbursed monthly." Upon the death of a member, not in the performance of duty, the portion of the death benefit equal to six months' salary is charged against the appropriate account included under this balance sheet caption.

Matching Contributions, Miscellaneous Members—$8,999,958.42

This item represents contributions by the City and County to equal accumulated normal contributions of miscellaneous members pursuant to the provisions of Section 164 of the Charter.

Firemen—$2,340,110.87

Policemen—$312,841.43

The above amounts represent the accumulated contributions of the City and County for firemen and policemen in service at June 30, 1938, who became members of the Retirement System on January 8, 1932, and did not elect to become miscellaneous members under the option granted by the Charter. These contributions were computed at the established rates of 19.16% of salaries earned by firemen and 6.36% of salaries earned by policemen. The liability for contributions of policemen of this classification at the rate of $2.00 each per month is included under the caption of "Members' Accumulated Contributions."

The amounts appearing under this caption on the accompanying balance sheet have not been paid by the City and County, except as heretofore noted, but are included in "Accounts Receivable—City and County of San Francisco."

CITY AND COUNTY ACCUMULATED CONTRIBUTIONS—OTHER—$965,507.67

The composition of the above amount is as follows:

Matching contributions of the City and County released by separation of members from City and County employment, held as a reserve to meet the obligations of the City and County on account of benefits granted and prior service of members:		
General City and County		$1,010,303.58
Public Service Enterprises:		
Municipal Railway	$143,949.12	
Water Department	22,669.53	
Hetch Hetchy Power Division	11,375.86	177,994.51
Total		$1,188,298.09
Deduct:		
Excess of death benefits paid to deceased members and retired members over released matching contributions	$152,490.02	
Excess of present value of disability retirement allowances for current service as calculated at June 30, 1938, over residue of City and County accumulated contributions transferred at time of retirement	70,300.40	222,790.42
Remainder		$ 965,507.67

RESERVE FOR INTEREST AND INVESTMENT FLUCTUATIONS—$501,015.28

The above amount represents the excess of the interest earned on investments and accounts receivable, and profit on bonds called, over the interest credited to members and the City and County on their contributions and on undistributed portions of retirement allowances. Adjustments of general ledger controls to agree with the members' accumulated contributions as indicated on individual ledger cards are also included in this account.

The following statement reflects the changes in this reserve account during the year under review:

Balance, June 30, 1937		$ 480,638.45
Add interest earned		996,947.85
Total		$1,477,586.30
Deduct:		
Interest credited to members and the City and County on contributions, and on undistributed portions of retirement allowances	$975,897.06	
Adjustment of contribution controls—Net	673.96	976,571.02
Balance, June 30, 1938		$ 501,015.28

The adjustments of contribution controls consist principally of those increasing the control balance of "Members' Accumulated Normal Contributions" by the amount of $337.38, and the "City's Accumulated Contributions, Current Service" by a like amount. The amount of $673.96 indicated above includes an increase to the extent of $500.00 of the aggregate adjustment made of these controls as of June 30, 1937. The accumulated adjustments of this nature to June 30, 1938, amounted to a net increase of $1,196.54.

COMPENSATION INSURANCE

Section 172 of the Charter provides that the Retirement Board shall administer the benefit provisions of the Workmen's Compensation Insurance and Safety Law of the State of California, as they affect the benefits provided for or payable to officers and employees, including teachers of the City and County. Benefits under such risks as may be assumed by the City and County and premiums under such risks as may be reinsured are to be paid by the Retirement System, and an amount equal to the total of such benefits and premiums as determined by the actuary for any fiscal year, is to be paid during such fiscal year to the Retirement System by the City and County.

As of June 30, 1938, all agencies of the City and County were self-insured within the terms of the Workmen's Compensation Act, the benefit provisions being administered by the Retirement System.

During the year under review, all disbursements by the Retirement System on account of compensation expenditures were repaid by the City and County with the exception of some June, 1938, charges ($4,007.86), which are included in the accompanying balance sheet under the caption of "Accounts Receivable —City and County of San Francisco." Although Section 172 of the Charter provides that the liability for benefits assumed by the City and County during a fiscal year shall be paid to the Retirement System in that year, the payments received have only reimbursed the Retirement System for actual disbursements.

Yours truly,

JOHN F. FORBES & COMPANY.

EXHIBIT A

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Balance Sheet, June 30, 1938

ASSETS

CASH ON DEPOSIT WITH TREASURER	$ 167,876.12
ACCRUED INTEREST ON INVESTMENT BONDS	348,575.05
INVESTMENT BONDS (see Schedule 1)	21,635,892.28
ACCOUNTS RECEIVABLE—CITY AND COUNTY OF SAN FRANCISCO	4,366,032.04
TAXES RECEIVABLE, LESS ALLOWANCE OF $26,361.56 FOR UNCOLLECTIBLE ACCOUNTS	58,189.31
TOTAL	$26,576,564.80

LIABILITIES

UNDISTRIBUTED PORTION OF AMOUNTS PREVIOUSLY APPLIED TO PROVIDE RETIREMENT ALLOWANCES FOR CURRENT SERVICE TO BE DISBURSED MONTHLY (see comments)	$ 3,609,609.25
MEMBERS' ACCUMULATED CONTRIBUTIONS (see comments)	9,845,498.41
CITY AND COUNTY ACCUMULATED CONTRIBUTIONS—CURRENT SERVICE (see comments)	11,652,910.72
CITY AND COUNTY ACCUMULATED CONTRIBUTIONS—OTHER (see comments)	965,507.67
ACCOUNTS PAYABLE	2,023.47
RESERVE FOR INTEREST AND INVESTMENT FLUCTUATIONS (see comments)	501,015.28
TOTAL	$26,576,564.80

NOTATIONS: The above balance sheet does not include the liability to retired members, or to active members of the Retirement System, for retirement allowances granted or to be granted, on account of prior service, i. e., service in City and County employment before becoming members of the Retirement System. Section 43 of Ordinance 4,073 provides that all allowances paid on account of prior service shall be reimbursed by contributions of the City and County.

The liabilities as of June 30, 1938, for payments to be made for compensation awards and claims pending as of that date, estimated by the Retirement System to be $121,766.18, are not included in the above balance sheet. Of this amount $49,721.71 is estimated to be payable during the fiscal year ending June 30, 1939. Benefits and other expenditures paid by the San Francisco City and County Employees' Retirement System on account of these claims will be reimbursed by the City and County.

EXHIBIT A

SCHEDULE 1

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Investment Bonds, June 30, 1938

Description	Face Value	Book Value, June 30, 1938
GOVERNMENT, STATE, MUNICIPAL, AND OTHER POLITICAL SUBDIVISIONS:		
United States Government	$ 400,000.00	$ 428,445.78
State of California	3,378,000.00	3,472,979.63
City and County of San Francisco	3,589,500.00	3,761,281.10
East Bay Municipal Utility District	1,668,000.00	1,839,404.82
City of New York	2,599,000.00	2,919,657.26
Golden Gate Bridge and Highway District	500,000.00	564,788.77
City of Los Angeles	1,754,000.00	2,067,629.38
Los Angeles County Flood Control District	1,203,000.00	1,447,050.01
Marin Municipal Water District	374,000.00	393,357.38
City of Richmond	414,000.00	443,247.13
City of Sacramento	417,500.00	454,195.43
City of Stockton	378,900.00	411,843.65
Other California municipalities and school districts	1,894,600.00	1,986,990.91
Total	$18,570,500.00	$20,190,871.25
RAILROADS:		
Atchison, Topeka and Santa Fe Railroad Company	$ 103,000.00	$ 98,348.00
Southern Pacific Railroad Company	445,100.00	440,452.11
Union Pacific Railroad Company	105,000.00	107,279.00
Total	$ 653,100.00	$ 646,079.11
OTHER PUBLIC UTILITIES:		
San Joaquin Light and Power Company	$ 409,000.00	$ 448,371.50
Southern California Gas Company	37,000.00	35,840.17
Southern Counties Gas Company	312,500.00	295,304.85
California Water Service Company	19,000.00	19,425.40
Total	$ 777,500.00	$ 798,941.92
Total	$20,001,100.00	$21,635,892.28

EXHIBIT B

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Statement of Revenues and Expenditures For the Fiscal Year Ended June 30, 1938

REVENUES:			
Members' contributions:			
Normal contributions, miscellaneous members		$852,397.77	
Redeposited normal contributions, miscellaneous members		6,384.82	
Members' additional contributions		29,054.00	
Police $2.00 contributions		8,497.00	$ 896,333.59
City and County contributions to match contributions of miscellaneous members			852,397.77
Contributions by City and County to meet current service obligations:			
Firemen (including interest, $119,520.63)		$580,272.74	
Policemen (including interest, $25,389.31)		81,889.49	662,162.23
Contributions by City and County to meet prior service obligations:			
Miscellaneous		$454,938.76	
Firemen		581,431.87	
Policemen (including interest, $18,158.11)		340,013.36	1,376,383.99
Other contributions by the City and County:			
Administrative expenses		$ 41,031.89	
Compensation insurance costs:			
Benefits	$58,682.10		
Medical charges	45,019.08		
Expenses	24.30	103,725.48	144,757.37
Income on investments			896,975.90
Deposits by beneficiaries under death claims			2,592.80
Total (forward)			$4,831,603.05

EXHIBIT B (Continued)

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

Statement of Revenues and Expenditures For the Fiscal Year Ended June 30, 1938

REVENUES (Forwarded)			$4,831,603.65
EXPENDITURES:			
Members' accumulated contributions withdrawn:			
Miscellaneous members:			
Normal contributions	$92,034.27		
Additional contributions	2,100.28	$ 94,134.55	
Police $2.00 contributions		1,744.23	$ 95,878.78
Service retirement allowances:			
Miscellaneous members		$581,604.34	
Firemen		412,483.43	
Policemen		85,876.73	1,079,964.50
Disability retirement allowances:			
Miscellaneous members		$103,508.44	
Firemen		109,095.00	
Policemen		178,134.29	390,737.73
Death allowances:			
Firemen		$118,119.89	
Policemen		82,505.40	200,625.29
Death benefits to members' beneficiaries:			
Miscellaneous members		$235,688.25	
Firemen		8,535.00	
Policemen		20,383.95	264,607.20
Death benefits to retired members' beneficiaries—			
Miscellaneous members			49,796.79
Monthly installments to death claim beneficiaries			1,053.24
Police $2.00 accumulated contributions due from City and County			37,233.70
Compensation costs:			
Benefits		$58,682.10	
Medical charges		45,019.08	
Expenses		24.30	103,725.48
Administrative expenses			41,031.89
Amortization of investment bonds			68,416.06
Total			$2,333,070.66
NET REVENUES			$2,498,532.99

San Francisco School Department

(A Unified School District)

Report of Examination of Accounts

For the Fiscal Year Ended June 30, 1938

(Wherever italic figures appear in this Report they indicate red figures.)

LESTER HERRICK AND HERRICK

Certified Public Accountants
Tax Consultants

Merchants Exchange, San Francisco, California

October 10, 1938.

Honorable Harold J. Boyd, Controller, City and County of San Francisco, San Francisco, California.

Sir:

In accord with the terms of our engagement, we have made an examination of the accounts of the School Department of the City and County of San Francisco (such department constituting the San Francisco Unified School District) for the fiscal year ended June 30, 1938.

Our examination has embraced a verification of the accounts of the School Department relating to assets and liabilities as at June 30, 1938, and review, analysis and test of the accounted transactions during the year to the extent appearing appropriate, in view of the existing methods of internal control and the comprehensive continuous audit of expenditures maintained by your office, supplemented by the obtaining of related explanations and information from officers and employees.

The items relating to Fixed Properties, Bonded Debt and Bond Interest, included as a part of the accompanying statements, are not reflected by the accounts of the School Department but are based upon the accounts of the Controller which have been made the subject of a separate independent examination.

The expert and assistant to the Grand Jury participated in the examination.

There are presented hereinafter, as a part of our report, the following statements:

PROPRIETARY BALANCE SHEET, June 30, 1938;

STATEMENT OF REVENUES AND EXPENDITURES, for the fiscal year ended June 30, 1938;

ANALYSIS OF EXPENDITURES, for the fiscal year ended June 30, 1938;

FUNDS BALANCE SHEET, June 30, 1938;

STATEMENT OF RECONCILEMENT OF PROPRIETARY BALANCE SHEET WITH FUNDS BALANCE SHEET.

Note: The Statements of Revenues and Expenditures also exhibit for comparative purposes similar data for the prior fiscal year.

With reference to the statements presented and in further explanation of the character and extent of our examination, we present the following observations:

PROPRIETARY BALANCE SHEET

Fixed Capital Properties—$45,216,143.75:

The general accounts of the School Department do not reflect capital assets (other than unexpended bond monies) or liabilities except that certain subsidiary records, maintained independently of the general accounts, record data which purport to represent original cost of existing properties. In this situation, the item of Fixed Capital Properties is stated in the accompanying Balance Sheet upon the basis of the accounts of the Controller. The values so stated reflect original cost (or appraised values where cost has not been ascertainable) in accordance with the general accounting policy of the City and County of stating such existing service assets without accounting of accruing depreciation. We reviewed such subsidiary records as are maintained by the School Department to the extent sufficient to satisfy us that all reported retirements have been recorded and that charges constitute additions or betterments, there being no indication of any charge in the nature of maintenance, repairs or replacements.

The subsidiary records aforementioned embrace reasonably adequate records of all important appliances or movable equipment, and as replacements are made it is the policy to require vendors to allow credit for old equipment upon purchase for replacement, even though in many cases the allowance is of but nominal amount. This procedure has the effect of identifying and establishing the existence of equipment items as they are replaced, but no procedures are in effect to confirm periodically the existence, proper location and status of items appearing by the records as in use or which clearly lodge the personal responsibility or accountability which should exist. In our report for the preceding fiscal year, we stated a view, in connection with this matter, that the extent of accountable equipment was so great as to raise a question as to whether advantage would not come from an improvement in the existing equipment records and the procedures for locating accountability and suggested that the question should be explored. We find that there has been no change during the past year in the nature of these records and are informed that no comprehensive study of the question has been made. While the scope of our investigation has not been adequate for us to form a firm opinion, nevertheless we are strongly impressed that modifications which would greatly improve the value of the existing records would not involve appreciable additional operating cost and that such cost would be more than compensated by savings due to greater care in use and the avoidance of unexplained loss which, in turn, should result from requirements for the acknowledgment and recording of personal accountability. A further saving which might be produced by such improvement would be the avoidance of purchases of additional equipment when the need for such could be provided by surplus equipment at other locations. Accordingly, we repeat our prior recommendation that the necessary study be made to determine whether improved methods would be practical and beneficial.

From the records of the Controller, we ascertained that insurance of $23,150,000.00 is in force with forty-nine companies against loss by fire of property of the School Department.

Cash—$2,682,137.82

The cash balances which are on deposit with the City Treasurer were confirmed by reference to a report of audit of his records and confirmation of cash balances made by your office staff. We verified the revolving funds by count and investigation of the related bank account. The composition and reconcilement of the balances on deposit with the City Treasurer are as follows:

	School Department Balances	Bond Interest & Redemption due July 1-38	Warrants Outstanding & Matured Bonds & Coupons Not Presented for Payment	Treasurer's Balances
Current Funds:				
Common School	$ 470,222.67	.....	(a)$283,433.76	$ 753,656.43
Special School Tax	1,313,313.64	.....	(a) *151,400.44*	1,161,913.20
P. W. A. Construction	12,765.07	.....	.....	12,765.07
Bond Int. 5% 1908	.....	5,000.00	100.00	5,100.00
" " 4½% 1918	.....	.....	11,880.00	11,880.00
" " 5% 1923	.....	.....	89,600.00	89,600.00
" " 3% 1934	.....	27,000.00	.....	27,000.00
" Redmp. 5% 1908	.....	200,000.00	4,000.00	204,000.00
" " 4½% 1918	.....	.....	140,000.00	140,000.00
" " 5% 1923	.....	.....	245,000.00	245,000.00
Total Current Funds	$1,796,301.38	$232,000.00	$622,613.32	$2,650,914.70
Capital Funds:				
School House Bond—1934	$ 11,341.75	.....	$ 205.07	$ 11,546.82
Special & Trust Funds:				
Sunshine School Equipment Trust	$ 35.46	.....	.....	$ 35.46
School Teachers' Sabbatical Leave	13,235.11	.....	$ 6,155.73	19,390.84
Total Special & Trust Funds	$ 13,270.57	.....	$ 6,155.73	$ 19,426.30
Totals	$1,820,913.70	$232,000.00	$628,974.12	$2,681,887.82
Bond Redemption		$200,000.00	$389,000.00	
Bond Interest		32,000.00	101,580.00	
Warrants Outstanding:				
Current		.....	132,033.32	
Capital		.....	205.07	
Special & Trust		.....	6,155.73	
		$232,000.00	$628,974.12	

(a) Reflects also an Interfund Account balance of $151,670.44 due from Common School Fund to Special School Tax Fund.

Accounts Receivable—$190,962.54

Taxes receivable were confirmed by reference to the records of the Controller which have been made the subject of separate independent examination. In pursuance of the practice established in previous years, a reserve has been set up which is equal to the total of unsecured taxes, with the consequence that the amount stated represents only taxes secured by real estate.

Interfund Account—$5,000.00

This represents an amount advanced to the Department of Public Works in 1934 for the carrying of supplies to be used for maintenance work for the School Department.

Deferred Charges—$300,314.96

The item of Stores amounting to $137,429.68 represents the value of all unused supplies on hand in the warehouse and administrative offices of the School Department and includes also certain supplies, principally janitorial, which were delivered to schools before June 30, 1938 but are not intended for use until the following Fall term. No value is included in the amount stated for such supplies as were delivered for use prior to June 30, 1938 but which may have remained on hand at the schools on that date. The stated amount is made up as follows:

In Warehouse		$107,797.46
Stores carried over	$60,587.55	
Specific purchases for use after June 30, 1938	47,209.91	
In Administrative Office		2,668.18
Stores carried over	$ 2,520.02	
Specific purchases for use after June 30, 1938	148.16	
At Schools		26,964.04
Deliveries from Warehouse before July 1, 1938 on Fall term requisitions	$25,997.73	
Specific purchases for use after June 30, 1938	966.31	
		$137,429.68

Physical inventories were taken as at November 30, 1937, at which time there were put into operation revised methods of accounting for supplies upon the basis of recording quantities (without money values) both with respect to requirements and purchases as well as receipts and deliveries. A physical inventory also was taken as at March 10, 1938, and at June 30, 1938 the quantity balances shown by the stock records were priced and summarized and the control account was adjusted to the value so developed. As a consequence of adjustments made throughout the year as an incident of inventories and the valuation of recorded quantities at June 30, 1938, there was a net increase of $1,504.57 in the control account which is 6/10 of one per cent of the value of all deliveries for the year.

The revised methods of accounting and control of supplies, which were instituted as at November 30, 1937, have enabled an anticipating of requirements in advance of their actual need. As a consequence, most of the supplies requisitioned for the 1938 Fall term have been delivered to schools approximately two months earlier than a year ago. The revised methods also provided separate control accounts for the warehouse, shop and administrative office, so that differences developed by physical inventories now can be localized.

We reviewed the records of physical inventories taken as of March 10, 1938 and also the computation of the summary of the stock records as at June 30, 1938. From tests made of the computations and inquiry as to methods used by employees of the School Department in taking and pricing inventories, we are satisfied of their essential accuracy. The inventories are priced at cost of purchases, which we are informed are in general the same as current replace-

ment prices as at June 30, 1938. Upon inquiry, we also were informed that there are included in the inventory only a comparatively few items of negligible total value which are not being regularly requisitioned for current use.

We investigated the methods for the routine review and approval of supply requisitions received from schools. All such requisitions (including those for supplies delivered direct to schools as well as from the warehouse) are regularly reviewed, revised if necessary, and approved before deliveries are made. All but a comparatively few items are covered by the so-called Fall and Spring "term" requisitions. The term requisitions are tabulated as to each article and, after any revisions which are found necessary, are approved upon the basis of established standards which relate to daily average attendance, prior needs, comparative needs of similar schools and classes and other pertinent factors. Methods and procedures in use for determining the reasonableness of supply requisitions from schools appear to be adequate upon the basis of such standards as are being used. The contemplated scope of our investigation, however, did not embrace a study of the proper application or the adequacy of such standards.

Responsibility for the control of supplies after delivery to schools is placed upon the principal. While there are no uniform methods prescribed, we are informed that most of the larger schools keep their stock of supplies under control in store rooms and that deliveries to teachers are made only upon approved requisitions. In smaller schools, supplies for each term are usually distributed to various class rooms where responsibility for their proper use is placed with the teacher. This apparent absence of a requirement of uniform methods would seem to warrant correction to the end that, in schools of similar size, there may be substantial uniformity in the care and issue of supply stores.

The item of Shop Work in Progress amounting to $7,385.28 represents the cost of repair and maintenance jobs in progress or the value of equipment which has been reconditioned and is awaiting delivery. From our review of the records of uncompleted shop orders and our consideration of the related methods, we are satisfied of the correctness of this item.

With general reference to the accounting for stores, we point out that the School Code authorizes the creation of a supply stock revolving fund which may be provided out of any existing surplus. The use of such a revolving fund would result in charges to the operating funds coincident with the issue of the supplies out of stock and also would provide an automatic limit and control over the inventory. Because of these and other advantages, we recommend the adoption of such a plan.

Bonded Debt—$11,789,000.00:

As in the case of Fixed Capital Properties, the general accounts of the School Department do not reflect the outstanding School Bonds nor the transactions relating to their servicing. Accordingly, the amount of the bonded debt is stated from the accounts of the Controller and embraces the following:

Issue	Int. Rate	Outstanding	Annual Redemption Requirement
1908	5%	$ 204,000.00	$200,000.00
1918	4½%	840,000.00	175,000.00
1923	5%	8,945,000.00	300,000.00
1934	3%	1,800,000.00	300,000.00
		$11,789,000.00	$975,000.00

Accounts Payable—$263,626.95:

From our review and analysis of the related accounts and from general observation and inquiry, we have become satisfied that all unpaid liabilities actually determined as of June 30, 1938 are stated with reasonable completeness. The liability of $6,155.73 for outstanding warrants relating to special and trust funds is separately stated under such caption.

The stated liabilities do not embrace any amount for contingent liabilities and no reserves therefor have been set up in the general accounts. We are informed by the attorney for the School Department that pending suits embrace claims for personal injuries aggregating approximately $85,000.00 (excluding three suits which have since been settled by payments of about $8,000.00) and that suits involving claims for salary adjustments affecting some 3,000 teachers have been decided against the School Department. While the total amount involved in these salary suits is substantial, its determination would necessitate an accounting as ordered by the court, and we are informed that the decisions are to be appealed by the School Department and that final decisions and determination of the liability, if any, cannot be expected for several years.

Special and Trust Funds—$19,426.30:

Accounts relating to these funds were confirmed by reference to the records of the Controller. They do not include the school teachers' permanent fund amounting to $6,588.00 which is not subject to the control of the School Department and is therefore reflected only by the accounts of the Controller.

Surplus—$36,033,425.82:

The balance of current surplus, $2,005,940.32, is representative of the available cash and other operating assets of the School Department excluding bond monies which are available only for acquisition of capital properties. From our review and analysis of the accounts, we believe the balance is properly stated. It consists of the following balances of unappropriated funds and reserves:

	Total	Common School Fund	Special School Tax Fund	P. W. A. Funds
Unappropriated Balances..	$ 441,815.02	$418,527.99	$ 23,257.21	$ 29.82
Appropriations Unexpended	11,680.74	.....	.....	11,680.74
Reserves for:				
Purchase Orders	106,086.37	103,898.24	2,188.13	.....
Other Encumbrances	354,275.52	78,827.29	274,393.72	1,054.51
Stores and Other Working Assets	144,814.96	144,814.96	.....	.....
Capital Outlays	1,068,268.13	18,000.00	1,050,268.13	.....
Adjustments	10,264.60	10,264.60	.....	.....
	$2,137,205.34	$774,333.08	$1,350,107.19	$12,765.07
Less—Accounts Payable For Completed Purchase Orders, Service Contracts, etc.	131,265.02	94,069.21	37,195.81	.....
	$2,005,940.32	$680,263.87	$1,312,911.38	$12,765.07

The capital surplus consists of unexpended bond funds of $11,341.75, and the balance of $34,016,143.75 represents the excess of fixed property valuation over that part, $11,200,000.00, of the unmatured bonded debt which is not represented by cash balances.

The composition of the surplus accounts and a condensed restatement of the Balance Sheet with respect to the character of the funds involved is shown by the following:

	Total	Current Accounts	Capital Accounts	Special & Trust Accounts
Cash	$ 2,682,137.82	$2,651,164.70	$ 11,546.82	$19,426.30
Less — Bonded Debt and Interest currently due, Accounts Payable and Special and Trust Funds	1,005,633.25	986,001.88	205.07	19,426.30
Balance Available Cash	$ 1,676,504.57	$1,665,162.82	$ 11,341.75	.....
Fixed Capital Properties, less Bonded Debt not due	34,016,143.75	.....	34,016,143.75	.....
Other Assets, less Interest accrued not due	340,777.50	340,777.50	.....	.....
	$36,033,425.82	$2,005,940.32	$34,027,485.50	.....

STATEMENT OF REVENUES AND EXPENDITURES

Our examination of the accounts relating to revenues and expenditures has been limited to general review, tests and investigation to determine the existence and adequacy of methods of internal control.

Revenues from taxes of the City and County have been confirmed generally by consideration of the authentic records of assessed valuation of taxable property and the application thereto of established tax rates. Revenues received from the State of California and Federal Government have been confirmed by reference to their published reports. Accounting of rentals and receipts from property sales has been verified by examination of reports of the Real Estate Department, while other items have been tested and reviewed with respect to the adequacy of methods for their accounting.

We have reconciled the monthly totals of all cash recorded as received with the deposits with the Treasurer as reflected by the Controller's accounts.

All expenditures of the School Department are subjected to comprehensive audit by the Controller with respect to legality, authorization and existence of the liability, and in our opinion such continuous attention makes unnecessary an independent reference to the expenditure documents. We have, however, reviewed the methods and procedures employed by the School Department in connection with the accounting of expenditures, including an extensive test of salary changes by reference to the minutes of meetings of the Board of Education and the published salary schedules of the School Department.

Our consideration of the distribution of expenditures with respect to functional analysis has been limited to only such review and analysis as were necessary for the preparation of the statements constituting a part of this report, but from general observation we are satisfied that the methods employed are such as to insure essential accuracy.

As already mentioned, the annual inventory of school supplies does not embrace supplies remaining on hand at schools at June 30. As a consequence, the school operating expenses include as a cost of supplies the supplies delivered to schools without increase or decrease to compensate for variations between deliveries and actual consumption. Inventories of school supplies at the schools are taken as a guide in preparing requisitions for the new term requirements and if these could be valued as at June 30, even approximately, it would result in a more accurate statement of school expenses and of the value of total unused supplies. Consequently, we suggest that consideration be given to the adoption of such a procedure.

The transactions of the School Department as reflected by its accounts are summarized as follows:

Revenues from Property Taxes, Subventions from the State of California and Income from Miscellaneous Sources, including $39,400.00 from sales of land and buildings		$10,478,250.35
Operating and Maintenance Expenditures		9,701,002.27
Net Revenue	$	777,248.08
Less—Expenditures therefrom for Capital Outlays		269,519.27
Balance of Revenue Surplus for the Year	$	507,728.81

It is observed that the general accounts of the School Department relate only to those transactions which in whole or in part are subject to its control and do not include an accounting of revenues from taxation applicable only to bond interest and redemption requirements, nor do they reflect such expenditures as are incurred by other departments of the City in connection with medical care or other service to the School Department.

The total expenditures as shown by the accounts of the School Department are $470,534.85 more than the total of expenditures for schools as shown by the Controller. The difference is due to variations in methods of accounting and is summarized as follows:

Contributions on account of the School Department, charged by Controller to Employees' Retirement System		$457,175.46
Use of Stores on Hand, Shop Orders Uncompleted, and other items not charged by Controller as expenditures (net)		11,964.74
Sundry Expenditures charged by School Department as being incurred prior to payment		5,561.64
		$474,701.84
Sundry Miscellaneous Revenues stated by School Department as abatement of expenditures		4,166.99
		$470,534.85

FUNDS BALANCE SHEET

The data shown by this statement are in agreement with the records of the Controller and are presented in the classifications used in his annual report. The statement also has been reconciled with corresponding fund accounts as maintained by the School Department and it is followed by reconcilement of the totals which it develops with similar totals of the Proprietary Balance Sheet.

GENERAL

We observe that the general accounts of the School Department do not embrace records relating to operations of cafeterias in schools or of activities of student bodies, and our examination has not embraced such records. We are informed that they have been audited by the accounting staff of the School Department and reports of audit have been filed covering operations up to June 30, 1937. For the subsequent year, audits have been commenced and will be completed as soon as the services of the staff become available for this purpose.

We desire to express our appreciation of the cooperation extended to us by the accounting staff of the School Department and of your office in connection with our examination.

We are, Sir,

Respectfully,

LESTER HERRICK AND HERRICK.

CITY AND COUNTY OF SAN FRANCISCO
SCHOOL DEPARTMENT

(A Unified School District)

PROPRIETARY BALANCE SHEET—JUNE 30, 1938

ASSETS

FIXED CAPITAL PROPERTIES:			
Land		$ 9,867,383.71	
Improvements		32,163,439.20	
Construction in Progress		51,243.65	
Equipment		3,134,077.19	
Total Fixed Capital Properties			$45,216,143.75
Note: Above accounts measure the capital invested in existing school service property without consideration of depreciation. Equipment replacements are accounted as current expenses.			
CASH:			
On deposit with Treasurer		$ 2,681,887.82	
Current Funds	$2,650,914.70		
Capital Funds	11,546.82		
Special and Trust Funds	19,426.30		
Revolving Funds		250.00	
Total Cash			2,682,137.82
ACCOUNTS RECEIVABLE:			
Taxes Receivable		$ 190,962.54	
Total	$ 325,093.66		
Less Reserve against Unsecured Taxes	134,131.12		
Other Accounts Receivable—			
Amounts Due	$ 765.46		
Less—Collection Reserve	765.46		
Total Accounts Receivable			190,962.54
INTERFUND ACCOUNT:			
Department of Public Works			5,000.00
DEFERRED CHARGES:			
Stores		$ 137,429.68	
Shop Work in Progress		7,385.28	
Bond Interest Accrued, not due		155,500.00	
Total Deferred Charges			300,314.96
			$48,394,559.07

Notes: Items of Fixed Capital Properties, Bonded Debt, Bond Interest and the related deposits with Treasurer are not reflected by the accounts of the School Department but are based on the records of the Controller.

See text for condensed restatement segregated as to Current, Capital and Special and Trust Accounts.

CITY AND COUNTY OF SAN FRANCISCO
SCHOOL DEPARTMENT
(A Unified School District)
PROPRIETARY BALANCE SHEET—JUNE 30, 1938 (Continued)

LIABILITIES

BONDED DEBT:			
Due July 1, 1938—Current Account		$ 200,000.00	
Due thereafter—Capital Account		11,200,000.00	
Matured Bonds not presented—Current Account		389,000.00	
Total Bonded Debt			$11,789,000.00
BOND INTEREST:			
Due July 1, 1938		$ 32,000.00	
Accrued, not due		155,500.00	
Matured Coupons not presented		101,580.00	
Total Bond Interest			289,080.00
ACCOUNTS PAYABLE:			
Contracts, Purchase Orders, etc.		$ 131,265.02	
Warrants Outstanding		132,238.39	
Other Accounts Payable—General Fund		123.54	
(Current Account	$263,421.88)		
(Capital Account	205.07)		
Total Accounts Payable			263,626.95
SPECIAL AND TRUST FUNDS:			
School Teachers' Sabbatical Leave Fund		$ 19,390.84	
Sunshine School Equipment Trust		35.46	
Total Special and Trust Funds			19,426.30
Available		$ 13,270.57	
Warrants Outstanding		6,155.73	
SURPLUS:			
Current Surplus:			
Balance July 1, 1937	$1,485,446.44		
Revenue Surplus 1937-38:			
Operating Net Revenue	$777,248.08		
Less Capital Outlay	269,519.27	507,728.81	
Total		$ 1,993,175.25	
P. W. A. Funds:			
Balance July 1, 1937	$53,925.95		
Federal Grant Adjmt.	29.82		
	$53,955.77		
Less Expended (Capital Outlay)	41,190.70	12,765.07	
Total Current Surplus			2,005,940.32
Capital Surplus:			
Unexpended Balance of School Bond Issue 1934—Cash		$ 11,341.75	
Fixed Capital Properties valuation in excess of Bonded Debt of $11,200,000.00 due after July 1, 1938		34,016,143.75	
Total Capital Surplus		$34,027,485.50	
Total Surplus			36,033,425.82
			$48,394,559.07

CITY AND COUNTY OF SAN FRANCISCO
SCHOOL DEPARTMENT

(A Unified School District)

STATEMENT OF REVENUES AND EXPENDITURES
For the Fiscal Years Ended June 30, 1938 and 1937

REVENUES	Fiscal Years Ended June 30, 1938	1937
PROPERTY TAXES AND PENALTIES	$ 5,655,861.75	$ 5,410,622.26
REVENUES RECEIVED THROUGH STATE OF CALIFORNIA:		
Elementary Schools	$ 2,504,015.25	$ 2,558,336.99
High Schools	2,132,802.14	2,068,248.47
	$ 4,636,817.39	$ 4,626,585.46
OTHER REVENUES:		
Apportionment of Federal Aid to High Schools	$ 16,534.32	$ 17,024.18
Tuition from other Counties	64,476.00	51,308.16
Rentals	104,124.77	103,558.43
Fire Damage	82.12	1,894.83
Other Receipts	354.00	718.64
Total Revenues	$10,478,250.35	$10,211,711.96
EXPENDITURES		
OPERATING EXPENDITURES:		
Administration	$ 298,096.65	$ 287,218.66
Instruction—Salaries	7,334,533.18	7,157,581.00
Instruction—Supplies	282,383.39	264,084.19
Coordinate Activities	33,460.20	34,516.43
Auxiliary Agencies	41,954.19	55,827.48
Operation	782,760.38	744,520.17
Fixed Charges	530,192.00	534,973.95
Maintenance	396,897.86	374,254.05
Fire Damage Repairs and Replacements	724.42	19,423.61
Total Operating Expenditures	$ 9,701,002.27	$ 9,472,399.54
NET REVENUE	$ 777,248.08	$ 739,312.42
CAPITAL OUTLAY:		
Total Expenditures	$ 468,113.09	$ 1,377,394.90
Less:		
Sales of Land and Buildings	$ 39,400.00	$ 46,644.50
Expenditures from Other Funds:		
School House Bond Fund—1934	117,702.43	488,586.72
Federal Grants	41,190.70	542,944.48
Sunshine School Equipment Trust	300.69	.....
Total Deductions	$ 198,593.82	$ 1,078,175.70
Balance, Capital Outlay from Revenues	$ 269,519.27	$ 299,219.20
BALANCE, REVENUE SURPLUS FOR YEAR	$ 507,728.81	$ 440,093.22

Note: The above statement does not reflect tax revenues applicable to bond interest and redemption purposes or the expenditures therefrom.

CITY AND COUNTY OF SAN FRANCISCO
SCHOOL DEPARTMENT
(A Unified School District)

ANALYSIS OF EXPENDITURES
For the Fiscal Years Ended June 30, 1938 and 1937

	Fiscal Years Ended June 30, 1938	1937
ADMINISTRATION:		
Salaries	$ 256,469.29	$ 238,334.37
Supplies	10,215.04	10,893.92
Traveling Expense	2,325.61	1,745.88
Other	29,086.71	36,244.49
	$ 298,096.65	$ 287,218.66
INSTRUCTION—SALARIES:		
Supervision	$ 88,830.05	$ 87,228.14
Kindergarten	185,152.20	175,072.46
Elementary Day	2,983,972.98	2,997,322.44
Special Schools	112,850.25	102,688.02
Junior High	1,131,866.36	1,120,817.09
High Day	2,102,282.26	2,014,485.65
High Evening	209,553.40	186,420.92
Junior College	274,309.68	241,064.09
Continuation	122,637.16	121,757.74
Adult	29,003.39	26,846.70
Special	94,075.45	83,877.75
	$ 7,334,533.18	$ 7,157,581.00
INSTRUCTION—SUPPLIES, ETC.:		
Kindergarten Supplies	$ 2,793.41	$ 1,918.34
Educational Supplies	158,323.46	141,249.21
Books	92,919.85	96,815.99
Principal's Office	5,154.87	5,355.29
Supervision Expense	3,432.40	2,438.01
Other Expense of Instruction	19,759.40	16,307.35
	$ 282,383.39	$ 264,084.19
COORDINATE ACTIVITIES:		
Compulsory Education	$ 33,460.20	$ 32,708.93
Medical Inspection		1,807.50
	$ 33,460.20	$ 34,516.43
AUXILIARY AGENCIES:		
Transportation of Pupils	$ 26,574.49	$ 18,397.46
Tuition Paid Other Counties	7,229.54	30,265.96
Community Centers	1,754.27	1,405.55
Other Auxiliary Agencies	6,395.89	5,758.51
	$ 41,954.19	$ 55,827.48
Forward	$ 7,990,427.61	$ 7,799,227.76

CITY AND COUNTY OF SAN FRANCISCO
SCHOOL DEPARTMENT

(A Unified School District)

ANALYSIS OF EXPENDITURES

For the Fiscal Years Ended June 30, 1938 and 1937

(Continued)

	Fiscal Years Ended June 30, 1938	1937
Brought Forward	$ 7,990,427.61	$ 7,799,227.76
OPERATION:		
Janitors' and Engineers' Salaries	$ 552,341.59	$ 539,696.85
Janitors' and Engineers' Supplies	38,168.96	33,484.11
Gas and Electricity	66,795.88	59,969.26
Fuel	55,281.73	52,608.66
Water	38,952.47	37,022.43
Other Expenses of Operation	31,219.75	21,738.86
	$ 782,760.38	$ 744,520.17
FIXED CHARGES:		
Contributions to Retirement System—City	$ 457,175.46	$ 446,605.17
Contributions to Retirement System—State	35,442.00	34,728.00
Insurance	28,151.65	26,859.60
Rents	5,467.00	12,710.88
Workmen's Compensation and Accident Claims	9,155.84	9,666.37
Teachers' Back Salary Adjustments	*1,245.40*	3,752.64
Other Expenses of Fixed Charges	*3,954.55*	651.29
	$ 530,192.00	$ 534,973.95
MAINTENANCE:		
Repairs to Buildings and Grounds	$ 280,480.53	$ 269,218.85
Repairs to Janitors' Equipment	52,496.73	34,940.60
Repairs to Educational Equipment	61,520.93	70,068.60
Other Maintenance	2,399.67	26.00
	$ 396,897.86	$ 374,254.05
FIRE DAMAGE—REPAIRS AND REPLACEMENTS	$ 724.42	$ 19,423.61
TOTAL OPERATING EXPENDITURES	$ 9,701,002.27	$ 9,472,399.54
CAPITAL OUTLAYS:		
Purchase of Land	$ 43,675.84	$ 60,780.42
New Building Construction, etc.	212,779.89	1,007,373.89
New Building Equipment	92,529.07	237,414.14
Old Building Additions & Betterments	12,814.57	24,746.31
Old Building Equipment (New)	106,313.72	47,080.14
	$ 468,113.09	$ 1,377,394.90
GRAND TOTAL EXPENDITURES	$10,169,115.36	$10,849,794.44

CITY AND COUNTY OF SAN FRANCISCO
SCHOOL DEPARTMENT
(A Unified School District)
FUNDS BALANCE SHEET—JUNE 30, 1938

ASSETS						Name of Fund	LIABILITIES AND SURPLUS						
Available Cash	Other Cash	Accounts Receivable	Interfund Accounts	Federal Grants	Totals		Totals	Accounts Payable	Special & Trust Funds	Interfund Accounts	Unappropriated Balances	Unencumbered Appropriations	Reserves
						CURRENT FUNDS							
$ 621,893.11	$250.00	$159,168.99	.....	.....	$ 781,312.10	Common School Fund	$ 781,312.10	$130,298.46	.....	$218,375.29	$422,373.75	$ 10,014.60	$250.00
1,161,643.20	.....	31,793.55	$156,670.44	.....	1,350,107.19	Special School Tax	1,350,107.19	192,056.11	.....	84,515.57	23,267.38	1,050,233.13	35.00
3,442.74	.....	.....	.....	.....	3,442.74	P.W.A. School Building Construction	3,442.74	.....	.....	480.94	28.22	2,933.58	.....
9,322.33	.....	.....	.....	.....	9,322.33	P.W.A. Polytechnic High Girls' Gym	9,322.33	.....	.....	573.57	1.60	8,747.16	.....
5,000.00	.....	.....	.....	.....	5,000.00	Schools 5% 1908 Bond Int	5,000.00	5,000.00	.....	.....	.....	.....	.....
27,000.00	.....	.....	.....	.....	27,000.00	Schools 3% 1934 Bond Int	27,000.00	27,000.00	.....	.....	.....	.....	.....
200,000.00	.....	.....	.....	.....	200,000.00	Schools 5% 1908 Bond Redemption	200,000.00	200,000.00	.....	.....	.....	.....	.....
$2,028,301.38	$250.00	$190,962.54	$156,670.44	.....	$2,376,184.36	Total Current Funds	$2,376,184.36	$554,354.57	.....	$303,945.37	$445,670.95	$1,071,928.47	$285.00
						CAPITAL FUNDS							
$ 11,341.75	.....	.....	.....	$4,536.27	$ 15,878.02	School House Bond—1934	$ 15,878.02	.....	.....	$ 4,627.43	.....	$ 11,167.19	$ 83.40
						SPECIAL AND TRUST FUNDS							
$ 19,390.84	.....	.....	.....	.....	$ 19,390.84	School Teachers' Sabbatical Leave	$ 19,390.84	.....	$19,390.84	.....	.....	.....	.....
6,588.00	.....	.....	.....	.....	6,588.00	School Teachers' Permanent	6,588.00	.....	6,588.00	.....	.....	.....	.....
35.46	.....	.....	.....	.....	35.46	Sunshine School Eqpt. Trust	35.46	.....	35.46	.....	.....	.....	.....
$ 26,014.30	.....	.....	.....	.....	$ 26,014.30	Total Special and Trust Funds	$ 26,014.30	.....	$26,014.30	.....	.....	.....	.....
$2,065,657.43	$250.00	$190,962.54	$156,670.44	$4,536.27	$2,418,076.68	Grand Total	$2,418,076.68	$554,354.57	$26,014.30	$308,572.80	$445,670.95	$1,083,095.66	$368.40

Note: The above statement is based upon the report of the City Controller and has been reconciled with the related records of the School Department. See following page for reconcilement with Proprietary Balance Sheet.

CITY AND COUNTY OF SAN FRANCISCO
SCHOOL DEPARTMENT
(A Unified School District)

STATEMENT OF RECONCILEMENT OF PROPRIETARY BALANCE SHEET WITH FUNDS BALANCE SHEET

	ASSETS						LIABILITIES				
	Fixed Capital Properties	Cash	Accounts Receivable	Interfund Accounts	Deferred Charges	Federal Grant	Bonded Debt	Matured Bonds, Bond Interest & Accounts Payable	Special & Trust Funds	Interfund Accounts	Surplus & Reserves
PROPRIETARY BALANCES	$45,216,143.75	$2,682,137.82	$190,962.54	$ 5,000.00	$300,314.96	.....	$11,789,000.00	$ 552,706.95	$19,426.30	.....	$36,033,425.82
ADD:											
School Teachers' Permanent Fund	.....	$ 6,588.00	.....	.....	.....	.....	.....	.....	$ 6,588.00	.....	.....
Bonded Debt Due 7-1-38	.....	.....	.....	.....	.....	.....	.....	$ 200,000.00	.....	.....	.....
Interfund Accounts	.....	.....	.....	$151,670.44	.....	.....	.....	.....	.....	$151,670.44	.....
Federal Grants	.....	.....	.....	.....	.....	$4,536.27	.....	.....	.....	4,536.27	.....
Contracts, Purchase Orders, etc., not payable	.....	.....	.....	.....	.....	.....	.....	322,354.57	.....	89,400.41	.....
Contracts, Purchase Orders, etc., payable	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	$ 131,265.02
Other Accounts Payable	.....	.....	.....	.....	.....	.....	.....	.....	.....	124.98	.....
Retirement Fund	.....	.....	.....	.....	.....	.....	.....	.....	.....	62,749.38	.....
Use Tax	.....	.....	.....	.....	.....	.....	.....	.....	.....	91.32	.....
Total Additions	.....	$ 6,588.00	.....	$151,670.44	.....	$4,536.27	.....	$ 522,354.57	$ 6,588.00	$308,572.80	$ 131,265.02
TOGETHER	$45,216,143.75	$2,688,725.82	$190,962.54	$156,670.44	$300,314.96	$4,536.27	$11,789,000.00	$1,075,061.52	$26,014.30	$308,572.80	$36,164,690.84
DEDUCT:											
Fixed Capital	$45,216,143.75	.....	.....	.....	.....	.....	$11,200,000.00	.....	.....	.....	$34,016,143.75
Warrants Outstanding	.....	$ 132,238.39	.....	.....	.....	.....	.....	$ 132,238.39	.....	.....	.....
Bonded Debt due 7-1-38	.....	.....	.....	.....	.....	.....	200,000.00	.....	.....	.....	.....
Matured Bonds not paid	.....	389,000.00	.....	.....	.....	.....	389,000.00	.....	.....	.....	.....
Bond Interest due and unpaid	.....	101,580.00	.....	.....	.....	.....	.....	101,580.00	.....	.....	.....
Accrued Interest, not due	.....	.....	.....	.....	$155,500.00	.....	.....	155,500.00	.....	.....	.....
Stores & Shop Work	.....	.....	.....	.....	144,814.96	.....	.....	.....	.....	.....	144,814.96
Contracts, Purchase Orders, etc., not payable	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	411,754.98
Contracts, Purchase Orders, etc., payable	.....	.....	.....	.....	.....	.....	.....	131,265.02	.....	.....	.....
Use Tax	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	91.32
Retirement Fund	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	62,749.38
Other Accounts Payable	.....	.....	.....	.....	.....	.....	.....	123.54	.....	.....	1.44
Total Deductions	$45,216,143.75	$ 622,818.39	.....	.....	$300,314.96	.....	$11,789,000.00	$ 520,706.95	.....	.....	$34,635,555.83
FUND BALANCES	.....	$2,065,907.43	$190,962.54	$156,670.44	.....	$4,536.27	.....	$ 554,354.57	$26,014.30	$308,572.80	$ 1,529,135.01

Unappropriated Balances	$ 445,670.95
Unencumbered Appropriations	1,083,095.66
Reserves	368.40
	$ 1,529,135.01